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SMALL BUSINESS SUBCONTRACTING PROGRAM
(Part 1)

HEARING

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY,
MINORITY ENTERPRISE AND GENERAL
SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

SECOND SESSION

WASHINGTON, DC, APRIL 5, 1984

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SMALL BUSINESS SUBCONTRACTING PROGRAM
(Part 1)

THURSDAY, APRIL 5, 1984

House of Representatives, Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems, Committee on Small Business,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:12 a.m., in room 2359-A, Rayburn House Office Building, Hon. Ron Wyden (acting chairman of the subcommittee) presiding.

Mr. **Wyden**. The subcommittee will come to order. It is particularly unfortunate today that our very distinguished chairman, Chairman Mitchell, cannot be with us. The chairman had a death in the family. On behalf of the whole Committee on Small Business, we want to extend our condolences, and our thoughts are with our chairman today. The chairman has an opening statement and I will read his statement for the record.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Today is the first in the series of hearings that this subcommittee will conduct to determine compliance with the Subcontracting Program for Small and Small Disadvantaged Businesses. This program was established by section 211 of Public Law 95-507, and mandates that most Federal contracts over $500,000, $1 million if for construction, awarded to large business must contain a subcontracting plan containing six specific elements designed to increase subcontracting opportunities for small and small disadvantaged business concerns.

When Public Law 95-507 was signed into law on October 24, 1978, it was hailed at that time as a landmark piece of legislation. Substantial increases were expected in the amount of subcontracts awarded to small and small disadvantaged businesses. While some success has been achieved, much more clearly remains to be done.

On the positive side, the number of large businesses participating in the subcontracting program increased from 810 in 1978 to 1,173 in 1983 for an increase of nearly 45 percent in the number of reporting businesses. In terms of dollars, small businesses received $7.6 billion in subcontract awards in fiscal 1978 as compared to $20.3 billion in fiscal 1984, an increase of 167 percent. Small and disadvantaged business subcontracting statistics were not available for years previous to fiscal year 1980. However, in that year, these firms received $748.2 million in subcontracts; last year, fiscal 1983, small disadvantaged business received $1.0 billion, an increase of only 35 percent. During this same period, 1980 to 1983, subcontracts to small business increased from $12.2 billion to $20.3 billion for 66 percent, or nearly doubled the rate of increase to minority firms.

While there were increases in the aggregate amount of subcontract awards to small business and small disadvantaged business, the percentage share of the subcontract dollar shows a completely different picture. In fiscal year 1978, 40.4 percent subcontract dollars were awarded to small business; in fiscal year 1983, this percentage was only 39.0 percent. The small business share has actually decreased from the 1978 level, even though it is up from the 1981 level of 37.7 percent, and the 1982 level of 37.6 percent. The share going to small disadvantaged business, however, shows nothing but decline since Government figures were first maintained in fiscal year 1980. In that year, small disadvantaged concerns received 2.5 percent of the subcontract dollar; in fiscal year 1981, 2.1 percent. In fiscal year 1982, 2.0 percent, and last year, fiscal 1983, this meager share fell even further to a scant 1.9 percent.

Despite the clear mandate of the law, we in Congress still hear complaints from our small business constituency about lack of enforcement and lack of aggressive management. We hear of situations where contractors are allowed to violate plans with impunity. In fact, even though this law is 6 years old, SBA's fiscal year 1982 subcontracting report to the Congress lists 21 contracts and contract modifications covered by the statute which were awarded without subcontracting plans. Not surprisingly, all of these contracts were let by military agencies. In fact, DOD remains a major offender of both the statute and the implementing guidance issued by the Office of Federal Procurement Policy (OFPP).

SBA's fiscal year 1982 report states and I quote:

> Our agency's reports for fiscal year 1981 and 1982 cited an ongoing problem due to the apparent disregard by the Department of Defense for the requirements of Public Law 95-507 as addressed in the Office of Federal Procurement Policy's letter relating thereto. . . . The problem still existed in fiscal year 1983, and the Department of Defense has declined to revise DAR to conform to the Office of Federal Procurement Policy and SBA policy.

Small business also complains of SBA's failure to provide more affirmative help in both locating potential subcontracting opportunities and providing the technical assistance sometimes needed to become qualified as a subcontractor. We also hear complaints that SBA has not taken more initiative to institute a uniform governmentwide procedure which would impose sanctions against offending prime contractors.

The subcommittee will explore all of these complaints during this subcommittee's investigation. However, it should be noted that not all of the complaining against the executive agencies come from small and small disadvantaged business. Large business complains of the lack of uniformity in program administration, which leads to varying statutory and regulatory interpretations. For example, even though Public Law 95-507 is nearly 6 years old, there is not a uniform checklist that can be used by all agencies to evaluate the acceptability of plans for uniform procedure that are applicable to the breach of a subcontracting plan.

This committee issued a report on December 10, 1982 which listed recommendations to the President, all Federal buying agencies, and the Small Business Administration regarding the subcontracting program. Its primary set of recommendations dealt with uniformity in program administration, and the initiation of appropriate remedial measures against those who would violate the law. All of these recommendations—as of this time—have been either ignored or rejected.

Nevertheless, these hearings will examine whether these recommendations remain appropriate or whether other measures may be needed to enforce this law in a way intended by the Congress.

We have invited witnesses from both the public and private sector representing the full range of considerations we need to explore. On behalf of the committee, I want to take this opportunity to thank each of our witnesses for taking the time out of their busy schedules to be with us. I am sure that we will find their testimony useful, as we proceed with our deliberations on this most important program.

We have a vote on the floor, but I would like to recognize the distinguished gentleman from New York, the ranking minority member, Mr. Molinari, for any comments that he would like to make at this time.

OPENING STATEMENT OF HON. GUY V. MOLINARI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. **Molinari**. I will be very brief, Mr. Chairman. I would like to state that there obviously has been a great deal of confusion about the sections of the law and the interpretation of it.

There have been numerous complaints as to the gray area that exists. It is of concern to both the small and large. And I think that based on the information that comes forth at these hearings, that it may well be that it is incumbent upon those of us in Congress to change the law perhaps to clarify the existing statute, so that there is a clearer picture as to what is expected of those in dealing with the Government.

I have looked at the panelists. They are an impressive group. I think that by the end of the hearings, we will have a better picture as to the real problem out there.

Thank you, Mr. Chairman.

Mr. **Wyden**. I thank the gentleman. We will break briefly for the floor vote and return. Our first panel will be Lawyer Martin, president of the Black President's Roundtable Association; Donald W. Tidd, president, Association of Small Research Engineering and Technical Services Companies, and Mr. Stephen Denlinger, president of the Latin American Manufacturers Association.

Gentlemen, if you would come forward, we will run over and vote, and be right back.

[A short recess was taken.]

Mr. **Wyden**. The subcommittee will come to order. Let us proceed with panel one. Gentlemen, we are happy to have you and Mr. Lawyer Martin, if you will, why don't you please proceed.

TESTIMONY OF LAWYER A. MARTIN, PRESIDENT, BLACK PRESIDENTS' ROUNDTABLE ASSOCIATION, ACCOMPANIED BY MARSHALL D. JOSEPH, PRESIDENT, TECHMATICS CORP.; AND GORDON D. ALEXANDER, PRESIDENT, CONGRESSIONAL EDUCATION ASSOCIATES

Mr. **Martin**. Mr. Chairman, I am Lawyer A. Martin, president of the Black Presidents' Roundtable Association, known as BPRA. I am also president of Evaluation Technologies, Inc. or ETI, a multidisciplinary professional and technical services company incorporated in 1970. Accompanying me today are two BPRA members: Marshall D. Joseph on my left, president of TechMatics Corp.; and Gordon G. Alexander on my right, president of Congressional Education Associates.

Mr. **Wyden**. Mr. Martin, excuse me for interrupting you. We would very much appreciate it if you could summarize your remarks. We would like to keep our witnesses to about 5 minutes, and I know we will have some questions.

Mr. **Martin**. I will then move on to the questions you asked us to address in our testimony.

Mr. Chairman, our responses to these questions are in the form of recommendations submitted to SBA Administrator James C. Sanders by a task force created by the Small Business Administration on August 10, 1982 to review the implementation of the subcontracting provisions of Public Law 95-507.

The recommendations that the task force made are as follows:

Recommendation 1: That the SBA establish a goal for minority business subcontracting under Public Law 95-507, at an annual level of 15 percent, to be achieved in 1988 through an increase of 2 percent per year beginning in 1983.

Recommendation 2: The SBA should recommend that each procuring agency award points to a contractor which, in its response to a Government "Request for Proposal," plans to use small and minority businesses as subcontracting team members for the proposed contract. The task force report had in mind 10 percent, 10 points of a 100-point scale.

Recommendation 3: The SBA should recommend that additional monetary incentive payments be given to a contractor, which, in the performance of its contract, exceeds its small and minority subcontracting goals, as set out in the contract clause required by section 211 (section 8(d) of the Small Business Act), presently covered in OMB-OFPP Policy Letter 80-2.

The dollars would not exceed 10 percent of the excess over the dollar goal of the subcontract plan.

Four, the SBA should recommend that agency program and performance goals be established with the objective of increasing subcontracting with small and minority businesses, and that each agency establish a minimum of one critical performance standard under which contracting officers and procurement directors will be evaluated according to the amount of small and minority business they approve.

Mr. Chairman, if those responsible for the procurement process acted more responsibly, the Minority Business Enterprise Development Program would be far better off today.

The final recommendation is a special Public Law 95–507 Minority Business Enterprise Task Force should be established at SBA to monitor the MBE subcontracting activity of the top 100 Department of Defense prime contractors and to aggressively promote the expanded utilization of qualified MBE's by these major prime contractors.

Now, we know that SBA has a MBE monitoring office. We would like a task force which, among other things, would advise that office to contain representatives of trade associations and minority businesses. It was recommended that the President include this in his Executive order issued last July, but it was not included.

Recommendation 6: It was recommended that the President include this in his Executive order issued last July. That was not included.

The SBA should recommend that the Director of the Office of Federal Procurement Policy of the Office of Management and Budget issue regulations prescribing the inclusion of a clause, in contracts let by Federal agencies where section 211 of Public Law 95–507 is applicable under which the contractor certifies a 35-percent dollar volume of subcontracting to small businesses and 15 percent to minority businesses.

Now, idealy we prefer that minority businesses receive the 35-percent dollar volume of subcontracting, but realistically, we know that it is unlikely to happen. The 15 percent, we think, is doable.

Recommendation 7: The SBA should recommend that an Executive order be issued by the President which includes the following: A clear statement that it is a goal of the Reagan administration to achieve an annual level of 15-percent minority business in Federal procurement subcontracting within the next 6 years, to be achieved through an increase of 2 percent per year beginning in 1933; that it is a goal of the Reagan administration to achieve a 10-percent increase in the number of minority businesses over the next 10 years. Reagan's Executive order called for 60,000 new businesses and expansion of 60,000 businesses over a period of 10 years.

Two, direction to the heads of all Federal agencies and departments requiring that they establish agency program and performance goals, an evaluation points system, a monetary incentive system and critical performance standards in matters involving subcontracting under Federal procurement. This also was not included in the President's Executive order.

Three, the heads of all Federal agencies and departments should be required to submit to the Office of Management and Budget and the Small Business Administration within 60 days from issuance of the Executive order, their program and performance goals and their plans for implementing evaluation points, monetary incentives, and critical performance standards, and thereafter to submit annual reports on their achievement to OMB and the SBA.

I have four more points before I conclude.

Four, a direction to OMB and the SBA to evaluate the plans and comment thereon, and a direction to OMB and the SBA to report on a quarterly basis to the President and Congress on whether the various agencies and departments are meeting the minority business subcontracting goals negotiated between the agencies and the departments and the SBA. This was not included in the President's Executive order.

Five, direction to SBA to establish a special Public Law 95-507 MBE Task Force which will work to improve and promote small and minority business, and which will issue to the President and the SBA Administrator an annual report on its monitoring efforts and its promotion of small and minority subcontracting Public Law under Public Law 95-507.

Six, a direction to OFPP and the Office of Management and Budget to issue regulations prescribing the inclusion of a clause in contracts let by Federal agencies where section 211 of Public Law 95-507 is applicable, under which the contractor certifies a 35 percent dollar volume of subcontracting to small businesses and 15 percent to minority businesses or documents reasons for not meeting these goals. It was not included in the Executive order.

Seven, finally, a clear statement that the administration fully supports similar greater participation by small and minority businesses in procurement under grants and a direction to SBA to establish a system for reviewing procurement under grants, and reporting the results of these evaluations.

This also was not included in the Executive order.

We, the Black Presidents' Roundtable participated in this task force, Mr. Alexander, Mr. Joseph, and I are available to answer questions.

This SBA report iS submitted along with our opening statement as our testimony before this hearing.

[Mr. Martin's prepared statement with attachments follow:]

PREPARED STATEMENT OF LAWYER A. MARTIN, PRESIDENT, BLACK PRESIDENTS' ROUNDTABLE ASSOCIATION

Mr. Chairman, I am Lawyer A. Martin, president of the Black Presidents' Roundtable Association (BPRA). I am also president of Evaluation Technologies, Inc. (ETI) which is a multidisciplinary professional and technical services company incorporated in 1970. Accompanying me today are two of our BPRA members, Mr. Marshall D. Joseph, president of TechMatics Corporation, Inc. (TMC) and Mr. Gordon G. Alexander, president of Congressional Education Associates, Inc. (CEA).

The Black Presidents' Roundtable is an organization of the presidents of over two hundred black-owned firms in the greater metropolitan Washington area with members as far away as California. Our companies are diverse in nature with capabilities that include manufacturing, retail, architecture and engineering, communications, financial management, research and development, construction, computer systems and engineering and public affairs.

Mr. Chairman, BPRA welcomes this opportunity to share our thoughts with you regarding the implementation of the subcontracting provisions established under Section 211 of Public Law 95-507. We have testified previously before this committee and we have maintained continuous dialogue with committee staff members regarding the problems confronting small minority businesses in their struggle to achieve competitive viability.

This committee has been very responsive to our requests for discussion and supportive of our efforts to solve our problems.

Mr. Chairman, in view of the emphasis of the Reagan Administration on decreased dependence of minority businesses on federal contracts, we feel that subcontracting opportunity is clearly consistent with this objective. As we have said many times before this committee and other public bodies, the opportunity for a minority firm to subcontract with a prime, we strongly believe, is often a vital first step for that firm to decrease its dependence on federal requirements as well as to facilitate its transition to competitive performance in the private sector.

It has also been demonstrated that prime contractors can experience savings through the use of small business subcontractors. The requirements of public law, the incentive of savings to government and increased minority business partnership with the private sector are three compelling reasons for more effective administration of the subcontracting program under Section 211 of P.L. 95-507.

Mr. Chairman, many members of BPRA have committed considerable time during the past five years in an attempt to provide thoughtful and constructive comment on a variety of legislative initiatives and public policies which impact negatively on the development and growth of our businesses. We are of the frank opinion that too often, the final products of such thoughtful deliberation which are submitted to agencies of government in the form of reports and recommendations on minority business interests are either totally ignored or given cursory attention at best. This is certainly true regarding implementation of the subcontracting program under Section 211 of P.L. 95-507.

The questions you asked us to address in our testimony are:

(1) How should subcontracting goals be assigned to federal agencies?

(2) How should goals be established for individual contracts?

(3) How can adminstration of the contracts containing plans be improved?

(4) How should the government use its authority toinclude incentive clauses in connection with subcontracting plans?

(5) What sanctions should be applied in the event of non-compliance?

BPRA decided that there is no need to re-create yet another wheel in our response to these questions. We therefore submit as the essence of our testimony, a report submitted to the SBA Administrator on November 3, 1982 by the Small Business Administration Task Force to Review Implementation of Public Law 95-507. Several members of BPRA served on this task force and committed considerable time to deliberations of the task force over a three month period. Other members of the task force represented a cross-section of minority business and trade association interests including the National Association of Minority Contractors (NAMC), the Latin American Manufacturers Association (LAMA), and the Booker T. Washington Foundation. The title of the report is _Report and Recommendations for Improving Implementation of the Subcontracting Provisions of Public Law 95-507 As They Apply to Minority Business._ We feel that implementation of the recommendations contained in the report could result in a very significant increase in subcontracting opportunities for socially and economically disadvantaged businesses.

I will now, if I may, present the summary of the Report's recommendations and ask that the full text of the report be included in the hearing record as the principal substance of our testimony.

The
Black Presidents'
Roundtable

1331 H Street, N.W
Suite 400
Washington, D.C. 20005
(202) 638-1388

TESTIMONY BY

LAWYER A. MARTIN, PRESIDENT

BLACK PRESIDENTS' ROUNDTABLE ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON SBA, SBIC AUTHORITY, MINORITY ENTERPRISE AND
GENERAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS U.S. HOUSE OF REPRESENTATIVES

APRIL 5, 1984

PUBLIC LAW 95-507 TASK FORCE MEMBERS

Chairman of the Task Force

Donald P. Clark

Subcommittee for Incentives

Daniel J. Piliero II, Chairman, Tighe, Curhan & Piliero
Gordon G. Alexander, Congressional Education Associates
Clarence H. Braddock, Jr., Automated Sciences Group and Black President's Roundtable
Manuel Caldera, AMEX Systems
Joseph M. Conrad, SBA

Subcommittee for Administration

Paul Browne, Chairman, National Association of Minority Contractors
Kenneth E. Bolton, Urban Mass Transportation Administration
Stephen W. Denlinger, Latin American Manufacturers Association
Ruby McZier, Resources, Inc.

Subcommittee for Legislation

Weldon Latham, Chairman, Sterling Systems, Inc.
Connie Mack Higgins, The Omega Group, Inc.
Dewey Thomas, Jr., National Association of Minority Contractors
Susan K. Zagame, SBA

Advisors

Allan S. Mandel, SBA
Ed Starr, SBA
Gene Van Arsdale, SBA

Secretary of the Task Force

Daniel J. Piliero II

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REPORT AND RECOMMENDATIONS FOR IMPROVING IMPLEMENTATION OF THE SUBCONTRACTING PROVISIONS OF PUBLIC LAW 95-507 AS THEY APPLY TO MINORITY BUSINESS

I. WORK PLAN OF THE P.L. 95-507 TASK FORCE

The Task Force on Public Law 95-507 was established by Administrator James C. Sanders by a press release dated August 10, 1982. Administrator Sanders stated, "[W]e are proposing that a Task Force be formed to review implementation of P.L. 95-507, especially the subcontracting provisions of that law. This Task Force will be composed of representatives of ...firms and other minority businesses and Administration officials. The Task Force will seek to implement many of the concerns... raised about compliance with the statutory subcontracting provisions."

Following SBA staff research and preparation and invitations to representatives of Section 8(a) firms, procuring agencies and minority associations, the Task Force held its initial meeting, on September 28, 1982, chaired by Donald P. Clark, Deputy Associate Administrator for Minority Small Business.

The legal issues involved in the implementation of P.L. 95-507 were presented by Susan K. Zagame, Special Assistant to the Associate Administrator. Gene Van Arsdale introduced the various business aspects of subcontracting under P.L. 95-507. Other members of the staff also assisted in the presentations. The Chairman appointed Subcommittees for Legislation, Incentives and Administration.

On September 29, 1982, the Subcommittee on Incentives met to discuss ways to encourage the Government and private sector to create greater subcontracting opportunities for small and small socially and economically disadvantaged (hereinafter "minority") businesses. The Subcommittee for Administration separately met to formulate proposals for carrying out the policy objectives of P.L. 95-507. The Legislation Subcommittee developed its recommendations at a meeting on October 1, 1982. There were additional discussions and exchanges of information among the various Subcommittee members.

Thereafter, the entire Task Force met on October 14, October 20, and again on October 26, 1982, to finalize its proposals for the Task Force's presentation to Administrator Sanders on November 3, 1982.

II. SUMMARY OF RECOMMENDATIONS

The national goals set out in P.L. 95-507 and the Report of the White House Commission on Small Business call for an increase in small and minority business. On August 10, 1982, Administrator James C. Sanders established a Small Business Administration Task Force "to review implementation of P.L. 95-507, especially the subcontracting provisions of that law." In order to accomplish the objectives of P.L. 95-507, the SBA Task Force recommends to the Administrator the following actions:

1. The SBA should establish a goal for minority business subcontracting under 95-507 at an annual level of 15%, to be achieved through an increase of 2% per year beginning in 1983.

2. The SBA should recommend that each procuring agency award points

to a contractor which, in its response to a government "Request For Proposal," plans to use small and minority businesses as subcontracting team members for the proposed contract.

3. The SBA should recommend that additional monetary incentive payments be given to a contractor, which, in the performance of its contract, exceeds its small and minority subcontracting goals, as set out in the contract clause required by Section 211 (Section 8(d) of the Small Business Act).

4. The SBA should recommend that agency program and performance goals be established with the objective of increasing subcontracting with small and minority businesses; and that each agency establish a minimum of one Critical Performance Standard under which Contract-

ing Officers and Procurement Directors will be evaluated according to the amount of small and minority business they approve.

5. A special P.L. 95-507 Minority Business Enterprise (MBE) Task Force should be established at SBA to monitor the MBE subcontracting activity of the top 100 Department of Defense (DOD) prime contractors, and to aggressively promote the expanded utilization of qualified MBEs by these major prime contractors.

6. The SBA should recommend that the Director of the Office of Federal Procurement Policy of the Office of Management and Budget issue regulations prescribing the inclusion of a clause, in contracts let by federal agencies where Section 211 of P.L. 95-507 is applicable, under

which the contractor certifies a 35 percent dollar volume of subcontracting to small businesses and 15 percent to minority businesses, or specifies reasons for not meeting this goal.

7. The SBA should recommend that an Executive Order be issued by the President, which includes the following:

a. A clear statement that it is a goal of the Reagan Administration to achieve an annual level of 15% minority business in federal procurement subcontracting within the next six years to be achieved through an increase of 2% per year beginning in 1983; and that it is a goal of the Reagan Administration to achieve a 10% increase in the number of minority businesses over the next 10 years.

b. A direction to the heads of all federal agencies and departments requiring that they establish agency program and performance goals, an evaluation points system, a monetary incentives system, and Critical Performance Standards in matters involving subcontracting under federal procurement.

c. The heads of all federal agencies and departments should be required to submit to the Office of Management and Budget and the Small Business Administration, within sixty days from issuance of the Executive Order, their program and performance goals, and their plans for implementing evaluation points, monetary incentives and Critical Performance Standards, and thereafter to submit annual reports on their achievements to OMB and the SBA.

d. A direction to OMB and the SBA to evaluate the plans and comment thereon; and a direction to OMB and the SBA to report on a quarterly basis to the President and Congress on whether the various agencies and departments are meeting the minority business subcontracting goals negotiated between the agencies and departments and the SBA.

e. A direction to SBA to establish a special P.L. 95-507 MBE Task Force which will work to improve and promote small and minority business, and which will issue to the President and the SBA Administrator an annual report on its monitoring efforts and its promotion of small and minority subcontracting under P.L. 95-507.

f. A direction to OFPP-OMB to issue regulations prescribing the inclusion of a clause, in contracts let by federal agencies where Section 211 of P.L. 95-507 is applicable, under which the contractor certifies a 35 percent dollar volume of subcontracting to small businesses and 15 percent to minority businesses, or documents reasons for not meeting these goals.

g. A clear statement that the Administration fully supports similar greater participation by small and minority businesses in procurement under grants and a direction to SBA to establish a system for reviewing procurement under grants; and reporting the results of these evaluations.

III. REPORT OF THE TASK FORCE ON P.L. 95-507

A. Introduction

The Small Business Administration Task Force on Public Law 95-507 was formed to develop ways to implement P.L. 95-507, particularly its subcontracting provisions, in order that small and minority business concerns "have the maximum practicable opportunity to participate in the performance of contracts let by any federal agency." (Section 211, P.L. 95-507.)

At the present time, the P.L. 95-507 subcontract market has a $40 billion potential. However, subcontracting to date with Minority Business Enterprises (MBEs) represents less than two percent of the possible $40 billion. The recommendations of the SBA Task Force are aimed at increasing the level of subcontracting to MBEs and achieving 15 percent minority business in federal procurement subcontracting, the goal proposed by the White House Commission on Small Business.

The Task Force recommends that the Reagan Administration establish, as a national priority, the achievement of 15 percent MBE subcontracting in federal procurement. Specifically, the Reagan Administration should strive for an increase from the existing two percent MBE subcontracting to 15 percent by 1988, an increment of approximately two percent annually over the next six years.

B. Specific Recommendations of the Task Force and Rationale

Recommendation 1:

Minority Business Subcontracting Should Be Increased to an Annual Level of 15% by 1988

The goal for minority business participation in subcontracting under 95-507 should be established at an annual level of 15% to be achieved through an increase of 2% per year beginning in 1983.

In addition, it would be helpful to develop within the SBA, a system for reviewing procurement under grants and reporting on the progress of such procurement.

Rationale

In order to achieve greater participation of MBEs in federal subcontracting under federal prime contracts, the SBA should establish ambitious but realistic goals in line with the

White House Commission on Small Business Recommendations (See Report to the President: America's Small Business Economy, Agenda for Action. The White House Commission on Small Business, April 1980, p. 67.)

The goals would be achieved through an annual modest increase of two percent and would be tied in with Presidentially established goals and monitoring devices as per the additional recommendations in this report.

At present, the SBA has systems for monitoring direct and § 8(a) contracts and subcontracting under 95-507. However, there is no established system for reviewing the progress of procurement under grants. Therefore, the Task Force recommends the establishment of a system within the SBA for monitoring such procurement. This system should include mechanisms for thoroughly reviewing procurement under grants and reporting on a quarterly basis to the Administrator.

Recommendation 2:

Evaluation Points for Subcontracting to Small and Minority Businesses

The SBA should recommend that each procuring agency award points to a contractor which in its response to a government "Request For Proposal," plans to use small and minority businesses as team members for the proposed contract. Ten (10) points on a 100 point evaluation scale (or 10% of the point total used to determine the contract award) should be allocated to the utilization of small and minority firms. Of the total points allocated in this manner, fifty (50) percent should be given for the utilization of small businesses, and fifty (50) percent for the utilization of minority businesses. The subcontracting proposal should be as suggested in Recommendation 6 of The White House Commission on Small Business Recommendations, i.e., 35% small, 15% minority small and 10% women business, to the extent that these figures are not less than the past practices of the particular prime contractor.

Rationale

This point award is intended to encourage contractors to use small and minority business firms in their subcontracting proposals prior to awarding of contracts. By including minority firms in its response to an agency's solicitation, a contractor gains points and is, consequently, more competitive for the contract award. There is no legal obstacle to an agency establishing criteria for evaluating a contractor's proposal which includes utilization of small and minority businesses as subcontractors. (See 15 U.S.C. §637(d), H.R. Rep. No. 1714, 95th Cong., 2nd Sess. (1978)). This recommendation is not intended to require a detailed subcontracting plan prior to awarding of the contract.

Recommendation 3:

Monetary Incentives for Contractors Which Exceed Their Small and Disadvantaged Small Subcontracting Goals

The SBA should recommend that a contractor which, in the performance of its contract exceeds its goals, as set out in the contract clause required by Section 211 (Section 8(d) of the Small Business Act) for developing small and minority businesses, shall receive additional monetary incentive payments. Each agency and department shall design and implement a specific plan for monetary incentives. It is recommended that the head of each agency and department be required to report on the establishment of an incentives system, and on the agency's or department's actual payments to contractors.

Rationale

Contractors should be encouraged to provide maximum subcontracting opportunities to small and minority business concerns. In order to further this objective, the Task Force recommends monetary payments for contractors which exceed the goals set out in their subcontracting plans. These payments are incentives for contractors to go beyond the subcontracting objectives they originally set. The money shall be given only for exceeding the goals established by the contractor in his contract clause. It must first be determined that the original goals were realistic and not unreasonably low.

A monetary incentive payment program is described in OMB-OFPP Policy Letter 80-2. To date, approximately forty firms have received monetary incentives from various federal agencies. (See Exhibit to Recommendation 3, page E1. The exhibit lists monetary incentive payments made to various businesses by specified federal agencies.) The Task Force recommends that each agency be required to report on its plan, and the agency's actual payments to contractors exceeding their subcontracting plans.

Recommendation 4:

Agency Program and Performance Goals and Critical Performance Standards Relating to the Amount of Small and Disadvantaged Small Business Approved by Individuals in the Procurement Process

The SBA should recommend that agency program and performance goals be established with the objective of increasing subcontracting with small and minority businesses. In addition, each agency should establish a minimum of one Critical Performance Standard under which Contracting Officers, Procurement Directors, and others in the procurement process, will be evaluated according to the amount of small and minority business they approve. The Critical Performance Standard shall incorporate the Contracting Officer's obligations under Policy Letter 80-2, the Federal Procurement Regulations, the Defense Acquisition Regulations, the NASA Procurement Regulations, and other appropriate regulations. When a Contracting Officer or Procurement Director is reviewed for purposes of promotion or merit pay increases, the appropriate agency shall evaluate the individual according to this Critical Performance Standard.

Rationale

Agency program and performance goals must be established in order to provide the direction and the accountability at the top. However, often times, the word at the top does not filter down to those responsible for effective implementation and thus it is recommended that personnel performance evaluation tools be used.

A Contracting Officer is obligated to perform his job according to the directives of Policy Letter 80-2. The only way to evaluate a Contracting Officer's compliance with his 80-2 obligations is to create a specific standard relating to his support of small and minority firms. All individuals in the procurement process, including Contracting Officers and Procurement Directors should be evaluated by their immediate supervisors and all supervisors, according to this Critical Performance Standard. Disciplinary action or other adverse action for failure to meet this Standard would be appropriate within the guidelines of the particular agency.

Recommendation 5:

Special 95-507 MBE Task Force For Monitoring MBE Subcontracting

The Task Force recommends that a special 95-507 MBE Task Force be established at SBA to monitor the MBE subcontracting activity of the top 100 DOD prime contractors, and to aggressively promote the expanded utilization of qualified MBEs by these major prime contractors.

The Special 95-507 MBE Task Force shall conduct specific activities directed toward increasing overall MBE subcontracting by focusing specifically on the top Department of Defense prime contracting firms. The P.L. 95-507 Task Force recommends that the President issue an Executive Order directing the creation of this Special MBE Task Force.

Rationale

The Special Task Force is intended to function as an identifiable unit under the jurisdiction of the SBA Administrator. Its goal is to increase MBE subcontracting to a level of 15% within the next 6 years. In order to make this Task Force fully effective, it should receive the backing and authority of the President via Executive Order or Presidential Directive.

The Special 95-507 MBE Task Force would conduct the following types of activities:

1. Identify the top 100 Department of Defense prime contractors, pinpoint their operating locations, and develop an inventory of their outside purchases;

2. On a monthly basis, review the MBE subcontracting achievements of 25 major DOD prime contractors in terms of the MBEs utilized, the MBEs considered, the types of requirements procured during each quarter, the extent to which MBEs had been sent solicitations, the extent to which they had sought qualified MBE sources from PASS, Profile, and minority trade associations;

3. Meet with V.P. of Material and/or the Procurement Director of the primes whose performance is not up to par and discuss specific steps which can be taken by them to improve MBE subcontracting performance.

The sole purpose of the Task Force should be to move MBE subcontracting from 2% to 15% within 6 years. The Task Force should be composed of 6 to 10 staff members, all of whom must have procurement backgrounds. The staff should also have a range of expertise from manufacturing to construction, from engineering to industrial products, so as to be familiar with the technologies involved in all areas of 95-507 subcontracting.

The Task Force should be headed by an individual who is firmly committed to the purposes of the Task Force and who has a history of involvement in MBE procurement.

Each of the elements of the recommended Task Force should be implemented in order to guarantee adequate and successful monitoring of minority subcontracting from DOD prime contractors.

Recommendation 6:

OMB-OPFF Regulations Prescribing That Specified Contracts Include a Clause Certifying the Contractor's MBE Subcontracting

The SBA should recommend that the Director of the Office of Federal Procurement Policy of the Office of Management and Budget issue regulations within ninety (90) days prescribing that all contracts let by any federal agency that ~~exceed~~ $500,000.00 and $1,000,000.00 in the case of construction, shall, in addition to the clauses specified at 15 U.S.C. § 637(d)(3)(A) through (D), include one of the following clauses:

1. The contractor hereby certifies that it is carrying out this policy and it will seek to satisfy subcontracting goals of 35 percent of the dollar volume of this contract for small businesses and 15 percent of the dollar volume of this contract for socially and economically disadvantaged

small businesses. Failure to adhere to the aforementioned requirement shall constitute a material breach of contract,

OR

2. The contractor certifies that it is unable to carry out this policy on this contract for reasons documented and demonstrated to the satisfaction of the contracting officer. The contractor may satisfy the contracting officer by demonstrable evidence that a lesser subcontract is in the best interest of the government. Failure to adhere to the aforementioned requirement shall constitute a material breach of contract.

Rationale

This recommendation is intended to provide a mechanism for guaranteeing that contractors meet a satisfactory dollar volume of small and minority subcontracting. To give force to the proposed contract clause, the recommendation clearly states that failure to meet the specified subcontracting level constitutes breach of contract.

The Task Force recommends this contract clause in order to more effectively increase opportunities in the minority enterprise field and accomplish the objective of stimulating greater private sector support for this objective. If contractors meet the specific subcontracting goal set out in this clause, they will help provide, in a concrete way, opportunities for small and minority firms to participate in contracts let by federal agencies.

Recommendation 7:

An Executive Order Should Be Issued Setting, As National Priorities, an Increase in MBE Subcontracting and an Increase in the Number of Minority Businesses. The Executive Order Should Also Direct All Agencies to Comply With the Other Specific Task Force Proposals

The SBA should recommend that an Executive Order be issued by the President, which includes the following:

a. A clear statement that it is a goal of the Reagan Administration to achieve an annual level of 15% minority business in federal procurement subcontracting within the next six years, to be achieved through an increase of 2% per year beginning in 1983; and that it is a goal of the Reagan Administration to achieve a 10% increase in the number of minority businesses over the next 10 years.

b. A direction to the heads of all federal agencies and departments requiring that they establish agency program and performance goals, an evaluation points system, a monetary incentives system, and Critical Performance Standards in matters involving subcontracting under federal procurement.

c. The heads of all federal agencies and departments should be required to submit to the Office of Management and Budget and the Small Business Administration, within sixty days from issuance of the Executive Order, their program and performance goals, and their plans for implementing evaluation points, monetary incentives and Critical Performance Standards, and thereafter to submit annual reports on their achievements to OMB and the SBA.

d. A direction to OMB and the SBA to evaluate the plans and comment thereon; and a direction to OMB and the SBA to report on a quarterly basis to the President and Congress on whether the various agencies and departments are meeting the minority business subcontracting goals negotiated between the agencies and departments and the SBA.

e. A direction to SBA to establish a special P.L. 95-507 MBE Task Force which will work to improve and promote small and minority business, and which will issue to the President and the SBA Administrator an annual report on its monitoring efforts and its promoing under P.L. 95-507.

f. A direction to OFPP-OMB to issue regulations prescribing the inclusion of a clause, in contracts let by federal agencies where Section 211 of P.L. 95-507 is applicable, under which the contractor certifies a 35 percent dollar volume of subcontracting to small businesses and 15 percent to minority businesses, or documents reasons for not meeting these goals.

g. A clear statement that the Administration fully supports similar greater participation by small and minority businesses in procurement under grants and a direction to SBA to establish a system for reviewing procurement under grants, and reporting the results of these evaluations.

Rationale

The SBA Task Force on P.L. 95-507 has suggested that the President of the United States establish, as national objectives, 15% MBE subcontracting in federal procurement by 1988, and a 10% increase in the number of minority businesses over the next 10 years. The Task Force has also recommended specific mechanisms for achieving these goals and for carrying out the policy of P.L. 95-507, which is to provide the maximum opportunity for small and minority businesses to participate in federal contracts. The Task Force further recommends a system for reviewing procurement under grants and for reporting on the progress of such procurement. The Task Force recognizes that this recommendation includes MBE contracting outside 95-507. However, the Task Force proposes that the SBA will be more successful in accomplishing its goal of increasing small and minority business by monitoring and promoting procurement undergrants, as well as 95-507 subcontracting.

In order to give force to these proposals and to ensure success in the SBA's efforts to increase minority business, the Task Force recommends that an Executive Order be issued. This order should clearly define the Reagan Administration's goals with respect to MBE participation in federal contracts and should direct all agencies to implement, within a specified time, the specific recommendations of the SBA Task Force on P.L. 95-507.

V. CONCLUSION

Public Law 95-507, which was enacted on October 24, 1978, as an amendment to the Small Business Act of 1958, states that small businesses and small businesses owned and controlled by socially and economically disadvantaged individuals must be provided maximum practicable opportunity to participate in the performance of contracts awarded by any federal agency. To date, the goals of P.L. 95-507 have not been achieved. Subcontracting with minority businesses represents less than 2% of the potential $40 billion subcontract market. In order to increase the level of minority business subcontracting, the SBA Task Force on P.L. 95-507 recommends that the SBA establish a goal for minority business subcontracting under 95-507 at an annual level of 15 percent to be achieved through an increase of 2% per year beginning in 1983. In addition, the Task Force proposes that the Reagan Administration set, as a national priority, this same goal of 15 percent minority business subcontracting. The Task Force further recommends, to the Administrator, specific mechanisms for accomplishing a higher level of minority business subcontracting and for attaining the goals of Public Law 95-507.

Respectfully submitted,

SBA Task Force on Public Law 95-507

Donald P. Clark, Chairman
Daniel J. Piliero II, Secretary
    and Subcommittee Chairman
    for Incentives
Kenneth E. Bolton
Clarence H. Braddock, Jr.
Paul Browne, Subcommittee
    Chairman for Administration
Stephen W. Denlinger
Connie Mack Higgins
Weldon Latham, Subcommittee Chairman
    for Legislation
Ruby McZier
Benjamin Rivera
Dewey Thomas

Federal Agency Contracts Utilizing Incentive Clause

Federal Agency	Contract Number	Date of Award	Contractor Name/Location
Region I			
Electronic Systems Division (ESD)			
Hanscom AFB, Bedford, MA	F19628-80-C-0034	6/26/80	Boeing Co., Seattle, WA
ESD, Hanscom AFB, MA	F19628-80-C-0049	8/18/80	Federal Electric Co., Paramus, NJ
ESD, Hanscom AFB, MA	F19628-81-C-0007	1/13/81	Singer Co., Little Falls, NJ
ESD, Hanscom AFB, MA	F19628-81-C-0057	1/30/81	General Electric Co., Utica, NY
ESD, Hanscom AFB, MA	F19628-81-C-0058	1/30/81	Hazeltine Corporation, Greenlawn, NY
ESD, Hanscom AFB- MA	F19628-80-C-0040	7/1/81	Boeing Co., Seattle, WA
Region II			
Warner Robbins AFB	F34601-80-G-0385 Delivery order FJ08	4/15/80	Hazeltine Corporation, Greenlawn, NY
USA Redstone Arsenal	DAAH01-79-C-1242	9/26/79	Keuffel & Esser, Morristown, NJ
Rome Air Dev. Ctr.— Rome, N.Y.	F30602-79-C-0147 P00005	8/8/80	Sperry Gyroscope, Great Neck, NY

Federal Agency	Contract Number	Date of Award	Contractor Name/Location
Region II (Cont'd)			
Naval Sea System Command Washington, D.C.	N00024-81-C-5214	5/28/81	Sperry Gyroscope, Great Neck, NY
" " "	N00024-81-C-5201	3/11/81	" "
" " "	N00024-80-PR-60073.1	4/13/81	" "
Naval Gun Sys. Eng. Ctr. Louisville, KY	N00197-81-C-0009(4)	3/2/81	Sperry Gyroscope, Great Neck, NY
Naval Sea System Command Washington, D.C.	N00024-81-C-40009	12/19/80	Sperry Sys. Mgmt., Great Neck, NY
Hanscom Fld (ESD)	F19628-80-C-0119	9/25/80	Hazeltine Corporation, Greenlawn, NY
CERCOM, Ft. Monmouth	DAAB-07-80G-6024 Delivery Order 006	3/13/81	" "
Hanscom Fld (ESD)	F19628-81-C-0058	3/30/81	" "
Wright-Patterson AFB (ASD)	F33657-81-C-0016	3/30/81	Grumman Corporation, Bethpage, NY
NAVAIR Washington, D.C.	N00019-79-C-0460	1/11/80	" "
NAVALEX Washington, D. C.	N00039-80-C-0026	4/10/80	Bell Aerospace Textron Corp., Niagara Falls, N
Warner Robbins All.	P34601-77-A-1415	6/17/80	Sierra Research Corporation, Buffalo, NY

Federal Agency	Contract Number	Date of Award	Contractor Name/Location
Region III			
AF System Command Hanscom AFB, MA.	F19628-81-C-0092	4/23/81	E-Systems Inc., Falls Church, Va.
" " "	F19628-80-C-0179	8/18/80	Westinghouse Defense & Electronics Sys., Ctr., Baltimore, Maryland
AF Contract Mgmt. Kirtland AFB, N. M.	F29601-80-C-0035	5/1/80	BDM Corporation, McLear, Va.
" " "	F29601-80-C-0037	5/12/80	" " "
" " "	F29601-77-C-0082 Mod 18	12/3/79	" " "
Federal Emergency Management Agency	H4183	11/4/79	Electronic Data Systems Federal Corporation, Bethesda, Md.
Region IV			
Eglin AFB, FL	F08635-80-C-0176	5/28/80	Teledyne Brown, Huntsville, AL
" " "	F08635-81-C-0011	11/21/80	T. I., Dallas, TX
" " "	F08635-81-C-0065	3/27/81	Martin Marietta, Denver, CO
" " "	F08635-81-C-0102	4/17/81	Martin Marietta, Orlando, FL
" " "	F08635-81-C-0103	4/17/81	Honeywell Hopkins, Minneapolis, MN
MSFC, Alabama	NASA8-33708	6/30/80	Martin Marietta, New Orleans, LA
" "	NASA8-30382 (F)	11/30/80	Martin Marietta, New Orleans, LA
U. S. Army MICOM Redstone Arsenal, AL	DAAH01-80-C-0103, P2003	1/18/80	Science Applications, Huntsville, AL
"	DAAH01-79-C-0082, P00022	7/24/80	Raytheon, Andover, MA
"	DAAH01-79-C-1242	9/28/79	K & E, Morristown, NJ
"	DAAH01-79-C-1636	9/29/79	Hercules, Cumberland, MD
"	DAAH01-79-C-1075	6/29/79	Ford Aerospace, Newport Bch, CA
"	DAAH01-79-C-1084	6/29/79	Raytheon, Andover, MA
"	DAAH01-80-C-0092	12/31/79	Aerojet Tactical Sy., Sacramento, CA
"	DAAH01-80-C-0538	4/29/80	Vought Corporation, Dallas, TX
"	DAAH01-80-C-0681	4/29/80	Vought Corporation, Dallas, TX

Federal Agency	Contract Number	Date of Award	Contractor Name/Location
Region V			
Wright-Patterson AFB Dayton, OH	F33657-79-C-0820	2/20/80	AAI Corporation, Cockeysville, MD
" " "	F33657-79-C-0415	5/22/80	Goodyear Aerospace, Litchfield, AZ
" " "	F33657-78-C-0502 (P00010)	3/31/80	Sperry Corporation, Great Neck, LI, NY
" " "	F33657-79-C-0068 (P00007)	4/10/80	Grumman Aerospace Corporation, Bethpage, LI,
" " "	F33657-78-C-0494	1/20/80	General Electric, Burlington, VT
" " "	F33657-81-C-0016	11/20/80	Grumman Aerospace, Bethpage, LI, NY
*Rock Mountain Arsenal Denver, CO	DAAA05-81-C-0007	2/12/81	Westvaco Corporation, Covington, VA
*Watervliet Arsenal	DAAA22-80-C-9033	9/22/80	Cincinnati Milicron, Cincinnati, OH
" "	DAAA22-81-C-9000	3/31/81	Cincinnati Milicron, Cincinnati, OH
*U. S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-81-C-0035	1/30/81	Chamberlain Mfg. Corp., Elmhurst, IL
" " "	DAAA09-79-C-0106	7/31/79	Chamberlain Mfg. Corp., Elmhurst, IL
" " "	DAAA09-79-C-0042	3/15/79	Chamberlain Mfg. Corp., New Bedford, MA
" " "	DAAA09-79-C-0146	9/28/79	Norris Industries, Inc., Vernon, CA
" " "	DAAA09-79-C-0155	9/27/79	Eastman Kodak Co., Rochester, NY
" " "	DAAA09-80-C-0061	5/27/80	Bulova Systems & Instr., Valley Stream, NY
" " "	DAAA09-80-C-0062	5/27/80	Hamilton Technology, Inc., Lancaster, PA
" " "	DAAA09-81-C-0056	4/2/81	Eastman Kodak, Rochester, NY
" " "	DAAA09-80-C-0191	9/30/80	LaBarge, Inc., Tulsa, OK
" " "	DAAA09-80-C-0204	9/30/80	Lockheed Electronics Co., Denville, NJ
" " "	DAAA09-80-C-0171	9/26/80	Whaley Machine Products, Chamblee, GA
" " "	DAAA09-81-C-0063	6/15/81	Union Carbide, Batley Prod. Div., Bennington.
" " "	DAAA09-80-C-0190	9/30/80	KDI Precison Products, Cincinnati, OH

*NO INCENTIVE PAID TO DATE

Federal Agency	Contract Number	Date of Award	Contractor Name/Location
Region VI			
NASA/MSFC	NAS8-3370	6/80	Martin Marietta, New Orleans, LA
NASA/MSFC	NAS8-3038[illegible]	6/80	Martin Marietta, New Orleans, LA
Region VII			
NONE			
Region VIII			
OALC	F42600-80-C-0401	3/27/81	Federal Mogal, Los Angeles, CA
"	F42600-80-C-0350	3/80	Boeing Co., Seattle, WA
"	F42600-79-C-7527-0208	8/30/80	Boeing Co., Seattle, WA
DOE	H0202025	9/29/80	Battelle Pacific, Richland, WA
Region IX			
Air Force Warner Robbins AFB	F0960380C3367	12/21/79	Sperry Flight Systems, Phoenix, AZ
Army Sacramento Army Depot	DAA-608-81-C-000-1	4/15/81	PanAm World Services, Silverdale, WA
National Institute of Health National Cancer Inst.	1-CP-95607	9/30/79	Stanford Research Institute, Menlo Park, CA
Army Ft. Monmouth CORADCOM	DAAK-80-80-C-0284	10/1/80	Librascope Corporation, Glendale, CA
Region X			
NONE			

Mr. Addabbo. Thank you very much, Mr. Martin. I would like to read my opening statement at this time.

OPENING STATEMENT OF HON. JOSEPH P. ADDABBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Addabbo. I would like to commend my colleague for holding investigatory hearings on the subcontracting program mandated by section 211 of Public Law 95-507. As the coauthor of 95-507, these hearings are extremely important to monitor implementation of the law and to ensure that it is being fully implemented pursuant to congressional intent.

The subcontracting program was established for the purpose of ensuring that small and minority businesses have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency. To accomplish this objective, Federal agencies are required to receive subcontracting plans from their large prime contractors specifying, among other things, goals for the award of subcontracts to small and minority businesses. Submission of a plan is required prior to the award of contracts exceeding $500,000 and $1 million for construction contracts.

Despite the concise expression of congressional intent, the committee has received overwhelming evidence that the subcontracting program has not been implemented by the executive agencies in a manner consistent with the statutory requirements. Morever, there is further evidence that prime contractors have consistently violated subcontracting plans and that contracts have been awarded without plans.

Last session this committee issued a report that specified the problems with implementation of the subcontracting program. Also, contained therein, were detailed recommendations for improvements. Some of the major problems cited by this committee were: Lack of enforcement, lack of consistent interpretation of the statute, and lack of outreach to the small business community concerning potential subcontracting opportunities. Notwithstanding the issuance of this report, the problem areas remain unresolved. In fact, a recent report submitted by SBA to the Congress indicated that the practice of awarding contracts without plans is prevalent and a substantial number of contracts contain unacceptable plans.

Today, I look forward to hearing the concerns raised by the small business associations and how the military installations intend to address these concerns.

Mr. Tidd is our next witness. He is the president of the Association of Small Research, Engineering and Technical Services Companies.

TESTIMONY OF DONALD W. TIDD, PRESIDENT, ASSOCIATION OF SMALL RESEARCH, ENGINEERING AND TECHNICAL SERVICES COMPANIES

Mr. Tidd. My name is Don Tidd. I am the president of ASRET.

I agree with many of the comments that Mr. Martin made. In fact, Mr. Martin's company is a member of ASRET.

In preparation for this testimony, we did a survey of our membership, and in another 1,000 companies there is a potential of

ASRET. Our survey indicates that the companies that responded are receiving less than one subcontract every 3 years from large businesses. The companies that responded to our survey are in 11 States, averaging 84 people each, and have been in business an average of 8 years.

This to me clearly means that Public Law 95-507 is not working.

In answer to the specific questions that are asked in your letter; how should subcontracting goals be assigned to Government agencies?

Each Government agency should be giving a specific percentage goal for subcontracting, just as it has for the small business ASRET program.

Each agency should be required to report each year to Congress on its success in meeting these goals.

Our testimony includes specific language change required to implement this change in the law.

The second question you asked was: How should goals be established for individual contracts? We believe that each agency should have the discretion to assign or not assign goals for individual contracts, consistent with meeting the annual goals specified in our answer to question 1 above.

The requirement to meet these annual goals in combination with the incentives specified in our answers to questions 3 and 4, we believe, would make Public Law 95-507 work.

Your third question was: How can administration of the contracts containing plans be improved?

We believe that Public Law 95-507 should be revised to make it mandatory that contracting officers assign to the subcontracting plan, a portion of the contractor's proposal, not less than 5 or more than 10 percent of the total contract award evaluation points.

A part of the evaluation criteria for these subcontracting plans would be the contractor's prior performance in implementing other subcontracting plans.

In response to your fourth question which is: How should the Government use its authority to include incentive clauses in connection with subcontracting plans?

We believe that effectively negotiated small business and small disadvantaged business subcontracting plans could have both a positive and negative profit swing negotiated against the subcontracting plan's target goals.

If the prime contractor failed to meet the percentage goal, negotiated into the subcontracting plan, the contractor would lose up to 5 percent of the total profit. If on the other hand, he exceeded the subcontracting plan goals, he would be able to increase his total profit by up to 5 percent.

It does require more time and money to locate, evaluate and to administer a number of new small business sources as opposed to staying with the familiar large contractor. Compensation for this would be provided from the above incentives.

Your fifth quesion is: What sanctions should be required in the event of noncompliance?

We do not believe that termination or debarment as remedies for noncompliance really work. We do not think that the continual threat of these really works.

We believe, instead, that the use of annual goals in combination with making the subcontracting plans a part of the evaluation and providing financial incentives for compliance, would make it work.

I thank you, Mr. Chairman.

[Mr. Tidd's prepared statement follows:]

PREPARED STATEMENT OF DONALD W. TIDD, PRESIDENT, ASSOCIATION OF SMALL RESEARCH, ENGINEERING AND TECHNICAL SERVICES COMPANIES

My name is Donald W. Tidd and I am one of the Founders and currently the President of ASRET (the Association of Small Research, Engineering and Technical Services Companies). ASRET is a relatively new organization, having been incorporated in the District of Columbia on March 15, 1983, as a non-profit, non-stock corporation under the provisions of paragraph 501(c)6 of the Internal Revenue Code of 1954, as amended.

During the period of slightly over one year since its formation, ASRET has grown to a membership of 170 companies in 17 states and the District of Columbia. This growth has been largely the result of a vacuum in terms of representation of our industry. The small, high technology industry that ASRET represents has not previously been adequately represented before Congress. Some number of our companies are represented by other associations such as the Professional Services Council (which represents primarily large technology services companies), the American Association of Small Research Companies (which represents the very small companies of inventors) and the Smaller Business Association of New England (which represents all types of small businesses but only in a specific region of the country). There are also special interest groups concerned with the issues of spare parts in the aerospace industry.

ASRET would represent, on a national basis, the small (less than 500 people) companies that perform research, engineering and technical services. We believe there are 5,000 to 10,000 of these companies in the country and we believe, also, that they are a vital resource, employing some of our leading engineers, scientists and business people. About 17% of these companies are owned or controlled by people who are minorities or otherwise disadvantaged. The Founders of ASRET are the presidents of 25 of our companies. We represent an industry that wants and needs to be heard. We are delighted to have this opportunity.

In preparation for this testimony, and with the limited time available to us after a phone call from your office and a subsequent letter from you dated March 8, we initiated a survey of our membership concerning their experience with Public Law 95-507. We surveyed our 170 members and about 1,000 other companies that are prospective members of ASRET. Our survey asked a series of questions including those that are in your letter. I would like to first provide the results of our survey concerning our members' general experience with Public Law 95-507, and then provide our responses to the specific questions in your letter of March 8. Our testimony also includes the specific language we believe is needed to modify PL 95-507 to make it workable.

As of March 28, seventy-two companies had responded to our survey. These companies are headquartered in eleven states and the District of Columbia. They range in size from companies of one person to companies of 362 persons. Their average number of years in business is eight and they average 84 employees each.

Our survey shows that during the past three years these 72 companies were contacted a total of 246 times by large businesses concerning subcontracting opportunities. They have submitted 144 proposals at a cost to them totalling $1,095,000. The 72 companies were notified a total of 87 times the identity of the winning bidders, received a total of 60 debriefings and a total of 66 subcontract awards. This is less than one subcontract award per company during the past three years. It is interesting that one company in Massachusetts received eight of these awards and one company in Virginia received six, leaving 52 for the remaining 70 companies.

Our survey is continuing. Our survey questionnaire was published in the Washington Business Review on April 2 and the results of the survey will be published in that paper. We will be pleased to provide the Committee the total results of our survey as soon as they are available.

It is also interesting that one responder to our survey was a large company, Bendix Field Engineering Corporation. That company expressed strong support for the objectives of PL 95-507 and provided some very meaningful input for improving the effectiveness of the Law. This input is included in our testimony.

With our survey reporting that companies are averaging less than one subcontract award per company during a period of three years it is quite clear that PL 95-507 is not working. Something must be done. Current legal remedies under that Law include contract termination and debarment. ASRET would ask how many prime contracts have been terminated and how many prime contractors have been debarred for non-compliance with PL 95-507 and while there is obvious non-compliance? ASRET supports remedies other than termination and debarment.

In response to the specific questions in The Committee's letters of March 8 and March 20, ASRET has the following recommendations:

1. How should subcontracting goals be assigned to government agencies?

Each government agency should be given a specific percentage goal for subcontracting just as they have for the Small Business Set-aside Program. Each agency should be required to report each year to Congress on its success in meeting these goals.

The specific language change required in 15 U.S.C. 637 to implement this change is as follows:

- Amend (d)(1) by adding the following language: "No less than X% of the value of all subcontracts aggregated over the course of a fiscal year, made under contracts which are required to include the clause stated in paragraph (3) and which satisfy the criteria in paragraph (4), shall be allocated by a Federal agency during or after fiscal year 1985 for subcontracts to small business concerns and small business concerns owned and controlled by socially and economicallly disadvantaged individuals. Nothing in this paragraph or subsection requires that a Federal agency include a minimum binding percentage quota or quotas for subcontracting to small business concerns and small business concerns owned or controlled by socially and economically disadvantaged individuals in any particular solicitation or contract, regardless of a Federal agency's ability or willingness to fulfill its overall responsibilities for a fiscal year under this paragraph."

o Amend (d)(3)(B) by deleting the first sentence and substituting the following language: "The contractor hereby agrees to carry out this policy in the awarding of subcontracts, and shall conform to any minimum binding percentage quota or quotas in any subcontracting plan which may be part of this contract."

o Amend (d)(4)(A) by deleting the period and substituting a comma and adding thereafter the following language: "including any minimum binding percentage quota or quotas that will be required pursuant to paragraph (6) which the Federal agency has determined are necessary to fulfill its responsibilities under paragraph (1)."

o Amend (d)(6)(A) by inserting between the word "individuals" and the semi-colon the following language: "and any minimum binding percentage quota or quotas which the Federal agency has determined are necessary to fulfill its responsibilities under paragraph (1);"

- Add a new paragraph, to be designated as paragraph (12), as follows: No later than the end of each calendar year, each Federal agency shall submit to the Senate Select Committee on Small Business and the Committee on Small Business of the House of Representatives a report on its compliance with paragraph (1) for the fiscal year which ended during that calendar year. Such reports shall include--

  (A) the aggregate value of all subcontracts made under contracts which are required to include the clause stated in paragraph (3) and which satisfy the criteria in paragraph (4);

  (B) the aggregate value of all subcontracts made under such contracts allocated to small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals.

2. How should goals be establisheed for individual contracts?

ASRET believes that each agency should have the discretion to assign or not assign goals for individual contracts consistent with meeting the annual goals specified in our answer to Question 1 above. The requirement to meet these annual goals in combination with the incentives specified in our answers to Questions 3 and 4 would, we believe, make PL 95-507 workable and real.

3. How can administration of the contracts containing plans be improved?

One of the reasons that most subcontracting plans are of questionable quality and substance is the fact that the subcontracting plan is not included as an evaluation factor for a contract award. A more effective approach would be to require that a small and minority business subcontracting plan be included as a part of each offeror's proposal in response to solicitation exceeding the ($500,000 for nonconstruction, $1,000,000 for construction) subcontracting plan threshold.

PL 95-507 should be revised to make it mandatory that contracting officers assign to the subcontracting plan a portion of a contractor's proposal not less than five or more than ten percent of the total contract award evaluation points. A part of the evaluation criteria for these subcontracting plans would be the prime contractor's prior performance in implementing other subcontracting plans. Under this system, all else being relatively equal, the offeror with the most comprehensive and effective small and disadvantaged subcontracting plan could potenially be awarded the contract. The elements and values in the subcontracting plan should be as negotiable on a negotiated procurement as any other portion of the offeror's proposal. The results of such negotiations would, of course, be incorporated into the contract.

With respect to advertised procurements, requiring subcontracting plans from each of the offerors has the additional advantage of providing the Contracting Officer with broader insight into what constitutes "maximum practicable opportunity" in the real world of government contracting and subcontracting. The goals would improve, and the competitive process will have revealed what the various offerors consider realistic goals to be.

The specific language needed to make this change is as follows:

o Amend (d)(4)(D) by deleting that part of the sentence following the word "paragraph" and substituting the following language: "is consistent with any minimum binding percentage quota or quotas included in the solicitation. In the absence of any minimum binding percentage quota or quotas in the solicitation, the procurement authority shall assign the plan to be negotiated by the offeror not less than five or more than ten percent of the total contract award evaluation points according to the degree to which it provides the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of the contract."

4. How should the government use its authority to include incentive clauses in connection with subcontracting plans?

Businesses work hard to maximize their profits. This profit motive could be put to work to increase subcontracting opportunities for small businesses and small disadvantaged businesses.

Effectively negotiated small business and small disadvantaged business subcontracting plans could have both a positive and negative profit swing negotiated against the subcontracting plan's target goals. If the prime contractor failed to meet the percentage goals negotiated into the subcontracting plan, the contractor could lose up to five percent of the Contract's total negotiated profit dollars on a predetermined scale. If, on the other hand, the Contractor exceeded the subcontracting plan goals, the Contractor should be able to increase his total negotiated profit dollars by five percent, based on a prenegotiated sliding scale, in recognition of the additional effort put forward in exceeding the subcontracting plan's goals.

Paragraph 4E of the current legislation allows for this.

Such a contractual provision would certainly demonstrate the serious intent of the Government to improve the flow of business to small and disadvantaged businesses and would certainly do much to increase the serious allocation of management resources toward achieving and exceeding the subcontracting plan's goals. There certainly is a cost to the prime contractor in locating and evaluating small business sources and in monitoring a number of small business contracts rather than staying with a familiar large business subcontractor. This additional cost would be compensated for with the above profit incentive.

5. What sanctions should be applied in the event of non-compliance?

ASRET does not favor termination or debarment as remedies for non-compliance, nor do we favor the continuing threat and not the action of these. Debarment removes an entire corporation from the government purchasing system and the reason could be because of subjective evaluation of failure to meet the goals of a subcontracting plan, while such plans are typically written poorly and with no real intent of compliance. Further, a debarred contractor may have some number of small and other disadvantaged subcontractors dependent upon him for a continuing supply of subcontracts. These small companies could be destroyed by debarment of the prime. Debarment is harsh, expensive, time-consuming and has the effect of creating animosity between government and industry. The remedies of termination and debarment should, however, be in the legislation and should and must be used when absolutely necessary to enforce compliance.

ASRET believes, instead, that the use of annual goals in combination with making subcontracting plans a part of the evaluation, and providing financial incentives for compliance would make PL 95-507 work.

Thank you, Mr. Chairman.

Mr. ADDABBO. Thank you very much, Mr. Tidd.

Our next member of the panel is the president of the Latin American Manufacturers Association, Mr. Stephen Denlinger.

TESTIMONY OF STEPHEN DENLINGER, PRESIDENT, LATIN AMERICAN MANUFACTURERS ASSOCIATION

Mr. DENLINGER. Thank you, Mr. Addabbo. I have a written presentation that I would appreciate to be incorporated into the hearing record, and I will proceed to summarize.

My name is Steve Denlinger, I am president and chief executive of the Latin American Manufacturers Association. I am going to skip a lot of this and just go over to an example that I have incorporated into our testimony, Mr. Addabbo.

People can understand examples. This particular example, I think, highlights many of the problems that are wrong with Public Law 95-507.

The particular example involves a firm called Western Wholesale Distributors out in California in the bay area, established about 10 years ago, and a distributor of a range of industrial products, 20,000 to 30,000 different types of industrial products.

I have given your staff a sample line card from this company which shows the range and diversity of products not produced but sold by the firm; and a catalog which is right over there to your right, which shows the extensiveness in the breadth of the product line sold by that firm.

The tragedy with respect to Public Law 95-507 in the bay area, despite repeated attempts over this period of years to market major corporations like FMC and Lockheed. The record is abysmal. You can see from my testimony that FMC over the period of 7 years awarded approximately $7,000 worth of contracts to the firm.

Lockheed in that same period, a grand total of $23, despite enormous marketing efforts and costs by this firm.

In discussing this matter with the president of the firm, Mr. Norman Castaneda, he has drawn the following conclusions which I would like to share with you here.

These are his conclusions: First, the small business officer provides no meaningful assistance. He is merely there to comply with the law; second, there is no management review of the buyers. No one is asking them if they have sought qualified sources this week or this month; third, there is no effective compliance procedure by the Federal Government. With companies like Lockheed, marketing is a costly and wasted effort, and fourth, there appears an enormous degree of insincerity involved when a multibillion dollar company defense contractor like Lockheed can brush off a qualified supplier by Western Wholesale for so many years.

Chairman, something is seriously wrong when Western Wholesale can sell its products to the four corners of the United States as the maps at the tail end of our testimony indicates, but cannot sell to two major prime contractors right in its own backyard despite Public Law 95-507 and extensive marketing.

The second section of my testimony, Mr. Chairman, also deals with the SBA Task Force on Public Law 95-507 to which we were a part.

The recommendations of that task force have been summarized by the other witnesses. So, what I want to do just for a moment is focus on the second recommendation which is that there should be, that the procuring agencies should award points to contractors as they prepare the responses to request for proposals with respect to their plans and the quality of their plans for the use of minority and small businesses in their contracts.

I have provided your staff, if you would just follow along for a moment.

This is our version of what a scoring system might look like: Typically in rating an RFP, the evaluation team will look at the technical proposal; management depth of the company; the experience in related projects; the related experience of key project personnel, and the administration. This is a point system which makes or breaks. In other words, the company that wins this point system is the company that gets the contract.

It is our feeling that if a 10-point system or 10 points in this process were assigned to the quality of the program, minority business program and goals, this would really help make Public Law 95-507 effective.

I can guarantee you, Congressmen, that if this procedure were instituted, major prime contractors like FMC and Lockheed would be falling all over themselves to locate qualified minority suppliers, and it would make the program work.

In conclusion the cornerstone of the recommendation of the task force was that 15 percent NBE participation to be gradually achieved over a period of 6 years by an increment of 2 percent per year. We feel there is a clear need for legislative improvements in Public Law 95-507.

I urge this subcommittee to carefully review the work of the SBA task force on the Public Law.

The recommendations are succinct, well conceived, achievable, and if implemented could result in a substantially improved program.

Thank you, Mr. Chairman.

[Mr. Denlinger's prepared statement with attachments follow:]

PREPARED STATEMENT OF STEPHEN DENLINGER, PRESIDENT, LATIN AMERICAN MANUFACTURERS ASSOCIATION

My name is Stephen Denlinger. I am the President and Chief Executive Officer of the Latin American Manufacturers Association. On behalf of the Association, its Board of Directors, and its membership nationwide, it is my pleasure to express our appreciation for your invitation for LAMA to testify before this Committee and, once again, to pay tribute to your leadership and courage in the promotion of minority enterprise over the past decade.

As you are fully aware, LAMA is a national industrial association representing over 500 Hispanic manufacturing and high tech firms throughout the United States and Puerto Rico. By way of briefly bringing you up to date on our accomplishments since our last meeting, LAMA's members have recently received and are performing contracts in the following areas:

Stinger missile trainers (Army)
Shipboard hydraulic lifting devices (Coast Guard)
Critical tank suspension components (Army)
Navigation radar circuit assemblies (Coast Guard)
Navigation buoys (Coast Guard)
Military standard engines 6-HP (Army)
Telephone interconnect systems (GSA)
Microprocessor based physical security systems (FAA)
Multi-year computer based fleet support planning (Navy)
Shipboard control panels (Coast Guard)
Mission planning segment for the Solar Maximum Repair Mission (NASA)
Systems planning & integration - Space Telescope (NASA)
Software management support for fiber-optic guided missile (Army)
AFTEC office automation (Air Force)

My testimony today will be divided into two sections. The first section will be a brief case study of the frustrations of a small minority company in seeking to do business with two major prime contractors. The second section will involve a review of the recommendations of the SBA Task Force on Public Law 95-507 established by SBA Administrator James Sanders in August, 1982.

FIRST SECTION
A CASE STUDY ON P.L. 95-507
Western Wholesale Distributors

Almost ten years ago, while I was Executive Vice-President of LAMA in northern California, I helped a company get started in the area of industrial product sales. The firm, Western Wholesale Distributors, would represent a broad range of industrial products and supplies and serve the needs of industry in the San Francisco Bay area. Typical product areas included electric motors, pumps, power transmission equipment, compressors, shop equipment, air movement equipment, power tools, etc. Today, Western Wholesale Distributors (WWD) represents over 20,000 different products. On a small scale, Western Wholesale is similar in concept and product lines to the well known national industrial supply house W.W. Grainger (whose entire line Western Wholesale represents).

The company was to sell to local companies and contractors in the area and aggressively market its product lines to major defense contractors in northern California. Gradually, the firm would expand its sales to southern California and surrounding states, and eventually to the rest of the country.

Western Wholesale has grown nicely over the years. The firm's sales since 1978 are as follows:

1978 -	$ 95,000
1979 -	$175,000
1980 -	$301,000
1981 -	$316,000
1982 -	$450,000
1983 -	$447,000
1984 -	$600,000 (est. - 1st quarter $150,000)

With LAMA's help and guidance over the years, WWD has endeavored to market two major DOD prime contractors in the San Francisco Bay area - Lockheed Missiles and Space, and FMC. Lockheed Missiles and Space is perhaps best known for its role in the Trident Missile and numerous other missile programs. Lockheed's defense sales in 1983 were over $5 billion. FMC is best known for its production of the M-113 Armored Personnel Carrier and the new Bradley Fighting Vehicle. FMC's defense sales in 1983 were over $1 billion. The weapons systems for which both of these companies have contracts have involved billions of dollars over the past decade.

Unfortunately, neither Lockheed or FMC have contributed meaningfully to Western Wholesale's growth, despite extensive marketing efforts and despite the fact that purchases from these two major prime contractors for the types of products provided by Western Wholesale is in the multiple millions of dollars. The following figures compare Western Wholesale's growth to the purchases from FMC and Lockheed over the past years.

Lockheed and FMC Purchases From WWD

Year	WWD Sales	Lockheed	FMC
1978	$ 95,000	-0-	-0-
1979	$ 175,000	-0-	-0-
1980	$ 301,000	-0-	$5,459
1981	$ 316,000	-0-	$ 191
1982	$ 450,000	-0-	$1,212
1983	$ 447,000	$23	-0-
1984	$ 150,000 (1st quarter)	-0-	$ 63
TOTALS	$1,934,000	$23	$6,925

This appalling picture has occurred despite aggressive marketing efforts by the firm and direct assistance from LAMA. LAMA staged a procurement meeting with FMC's procurement director in 1980 which appears to have contributed to the modest spurt of activity from FMC in 1980. Over the years, Western Wholesale has visited Lockheed personnel on at least ten occasions including the small business officer. Western Wholesale has made over 50 telephone calls seeking business from Lockheed. Western Wholesale sent out a mailing to some 200 Lockheed personnel in several locations in the Bay Area. The mailing included an introductory letter, a product line card, and a mail-back card wherein buyers could request catalogues and further information. Only two cards came back from the entire mailing effort. The result - nothing.

In 1980, with a great sense of frustration, LAMA and Western Wholesale appealed to the Bay Area Purchasing Council for assistance. The Council arranged for Western Wholesale to make a presentation at Lockheed to some 15 buyers. Western Wholesale took two cases of catalogues to the meeting. The result - nothing.

At one point in time, some Lockheed personnel took the position that Western Wholesale's freight charges were prohibitive. Western Wholesale is approximately 35 miles from Lockheed (see accompanying map of the S.F. Bay Area). Western Wholesale offered to ship for free. The result - nothing. It is of interest to note that Western Wholesale successfully does business throughout the country as far away as Florida, Alaska, Tennessee, Georgia, and Ohio (see accompanying U.S. map for Western Wholesale's clients nationwide).

Approximately one-and-a-half years ago, the Lockheed small business officer visited my office in Washington. During the visit, he asked if there were some areas wherein LAMA and Lockheed could cooperate. I gave him a Western Wholesale line card and asked that he do nothing more than try to get some Lockheed business to Western Wholesale. The result - a $23 order in 1983.

In discussing this matter with the President of Western Wholesale, Mr. Norman Castaneda, he has drawn the following conclusions regarding companies like Lockheed and FMC:

1. The small business officer provides no meaningful assistance - he is there merely to comply with the law;

2. There is no management review of the buyers - no one is asking them if they have sought qualified minority sources this week/month;
3. There is no effective compliance procedure by the Federal government - with companies like Lockheed, marketing is a costly, wasted effort;
4. There is an enormous degree of insincerity involved when a multi-billion dollar defense contractor like Lockheed can brush off a qualified supplier like Western Wholesale for so many years.

This case study, while not representative of defense prime contractors in general, does point out numerous weaknesses in the P.L. 95-507 program which are addressed in the next section.

SECOND SECTION

SBA TASK FORCE ON P.L. 95-507

In August, 1982, SBA Administrator Sanders created a Task Force on P.L. 95-507 consisting of SBA officials and representatives of various segments of the minority business community. This Task Force included LAMA. The Administrator charged the Task Force with the responsibility of developing a set of recommendations designed to improve MBE subcontracting under P.L. 95-507. The findings, recommendations, and conclusions of the Task Force were submitted to Administrator Sanders on November 3, 1982. The report was subsequently transmitted to the White House by SBA officials and, to my knowledge, nothing more has been heard on the subject.

When I received your notice calling for this hearing, I reread the Task Force report. I was impressed with the brevity and substance of its contents. For the second part of my testimony, therefore, I plan to summarize the recommendations of that report. Because of its total relevance to this hearing, I respectfully request that the entire 34 page Task Force report be reprinted in the hearing record. I have provided your staff with a complete copy for that purpose.

During the period of the Task Force study, we estimated the P.L. 95-507 subcontract potential at $40 billion per year, of which the MBE community was receiving less than two percent. Given the extent of the current Defense build-up, the annual subcontract potential is probably much greater today. The recommendations of the SBA Task Force are aimed at increasing the level of subcontracting to MBEs and achieving 15 percent minority business participation in federal procurement subcontracting. This was the goal proposed by the White House commission on Small Business. (See Report to the President: America's Small Business Economy, Agenda for Action. The White House Commission on Small Business, April 1980, p. 67.)

The Task Force recommended that the Reagan Administration establish, as a national priority, the achievement of 15 percent MBE subcontracting in federal procurement. The goals would be achieved through an modest annual increase of two percent and would be tied in with Presidentially established goals and monitoring devices as per the additional recommendations of the report.

The specific recommendations of the SBA Task Force are as follows:

1. The SBA should establish a goal for minority business subcontracting under P.L. 95-507 at an annual level of 15%, to be achieved through an increase of 2% per year beginning in 1983.
2. The SBA should recommend that each procurement agency award points to a contractor which, in its response to a government "Request for Proposal", plans to use small and minority businesses as subcontracting team members for the proposed contract.

3. The SBA should recommend that additional monetary incentive payments be given to a contractor, which, in the performance of its contract, exceeds its small and minority subcontracting goals, as set out in the contract clause required by Section 211 (Section 8(d) of the Small Business Act).

4. The SBA should recommend that agency program and performance goals be established with the objective of increasing subcontracting with small and minority businesses; and that each agency establish a minimum of one Critical Performance Standard under which the Contracting Officers and Procurement Directors will be evaluated according to the amount of small and minority business they approve.

5. A special P.L. 95-507 Minority Business Enterprise (MBE) Task Force should be established at SBA to monitor the MBE subcontracting activity of the top 100 Department of Defense (DOD) prime contractors, and to aggressively promote the expanded utilization of qualified MBEs by these major prime contractors.

6. The SBA should recommend that the Director of the Office of Federal Procurement Policy, Office of Management and Budget, issue regulations prescribing the inclusion of a clause, in contracts let by federal agencies where Section 211 of P.L. 25-507 is applicable, under which the contractor certifies a 35 percent dollar volume of subcontracting to small businesses and 15 percent to minority businesses, or specifies reasons for not meeting this goal.

7. The SBA should recommend that an Executive Order be issued by the President, which includes the following:

a. A clear statement that it is a goal of the Reagan Administration to achieve an annual level of 15% minority business in federal procurement subcontracting within the next six years to be achieved through an increase of 2% per year beginning in 1983.

b. A directive to the heads of all federal agencies and departments requiring that they establish agency program and performance goals, an evaluation points system, a monetary incentives system, and Critical Performance Standards in matters involving subcontracting under federal procurement.

c. The heads of all federal agencies and departments should be required to submit to the Office of Management and Budget and the Small Business Administration, within sixty days from issuance of the Executive Order, their program and performance goals, and their plans for implementing evaluation points, monetary incentives and Critical Performance Standards, and thereafter to submit annual reports on their achievements to OMB and the SBA.

d. A directive to OMB and the SBA to evaluate the plans and comment thereon; and a directive to OMB and the SBA to report on a quarterly basis to the President and Congress on whether the various agencies and departments are meeting the minority business subcontracting goals negotiated between the agencies and departments and the SBA.

e. A directive to SBA to establish a special P.L. 95-507 MBE Task Force which will work to improve and promote small and minority business, and which will issue to the President and the SBA Administrator an annual report on its monitoring efforts and its promotion of small and minority subcontracting under P.L. 95-507.

f. A directive on OFPP-OMB to issue regulations prescribing the inclusion of a clause, in contracts let by federal agencies where Section 211 of P.L. 95-507 is applicable, under which the contractor certifies a 35 percent dollar volume of subcontracting to small businesses and 15 percent tc minority businesses, or documents reasons for not meeting these goals.

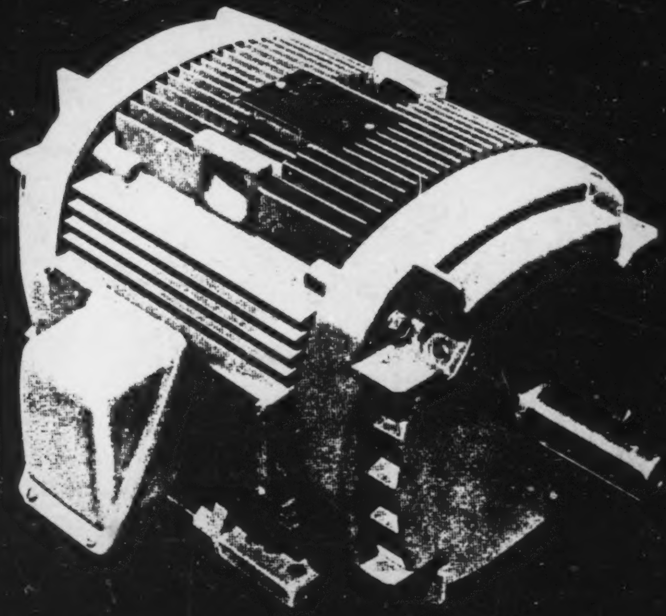
CONCLUSIONS

This concludes the recommendations of the SBA Task Force. The cornerstone is a Federal goal of 15% MBE participation in 95-507 subcontract activity to be achieved gradually over a six year period.

There is a clear need for legislated improvements in the P.L. 95-507 program. I urge this Subcommittee to carefully review the work of the SBA Task Force on P.L. 95-507. The recommendations are well conceived, achievable and, if implemented, could result in a substantially improved program.

This concludes my testimony Mr. Chairman. I will be pleased to respond to any questions you or other members of the Subcommittee may have.

MOTORS



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Newman
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Slo Syn
Sterling
Steveco
Toshiba
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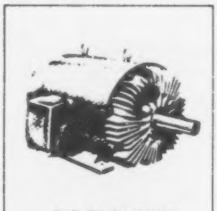

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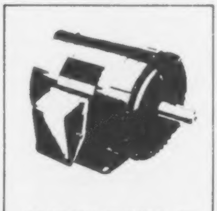
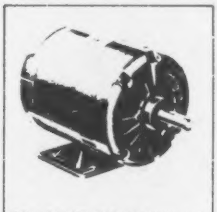


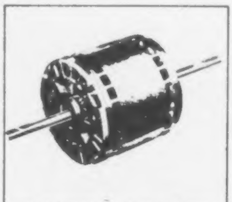
POLYPHASE INTEGRAL HP



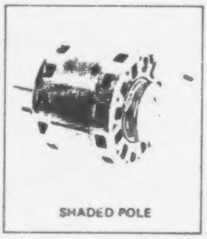
POLYPHASE FRACTIONAL HP

CAPACITOR RESILIENT MOUNT

SPLIT PHASE



PERMANENT SPLIT CAPACITOR



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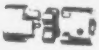
Gear Reducer

Sheaves


Couplings

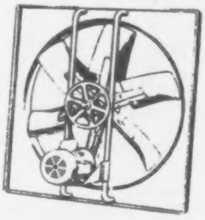
Pillow Blocks

AIR MOVEMENT EQUIPMENT

Utility Blower

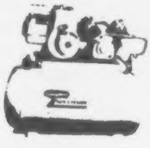
Shaded Pole Blowers

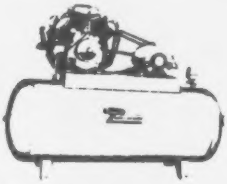
Exhaust Ventilators


Axial Fans

COMPRESSORS

Portable Compressor

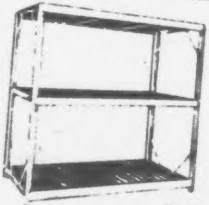

Gasoline Compressor

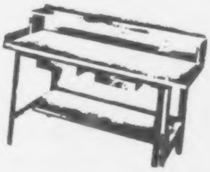

Two-Stage Compressor

SHOP EQUIPMENT

Work Lamps

Shop Vaccums


Steel Shelving


Work Benches

BRANDS

ELECTRIC MOTORS
- General Electric
- Baldor
- Boehm
- Bodine
- Dayton
- Lincoln
- Leeson
- Newman

PUMPS
- Berkeley
- Little Giant
- Teel
- Tuthill

AIR MOVEMENT EQUIPMENT
- Dayton
- Fasco
- Lau

COMPRESSORS
- Speedaire
- Ingersoll-Rand
- Kellogg-American

POWER TRANSMISSION
- Browning
- Durkee-Atwood
- Optibelt
- Grant Gear
- Dayton
- Winsmith
- Lovejoy

SHOP EQUIPMENT
- Edsal
- Dayton

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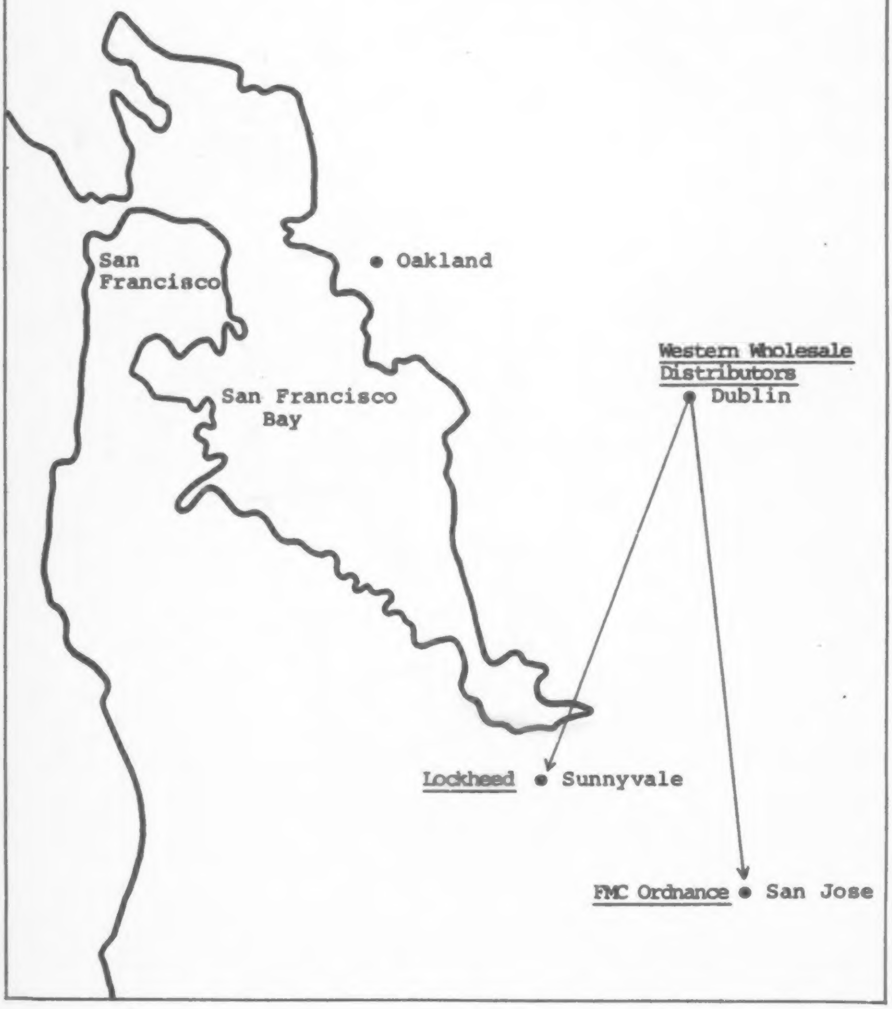
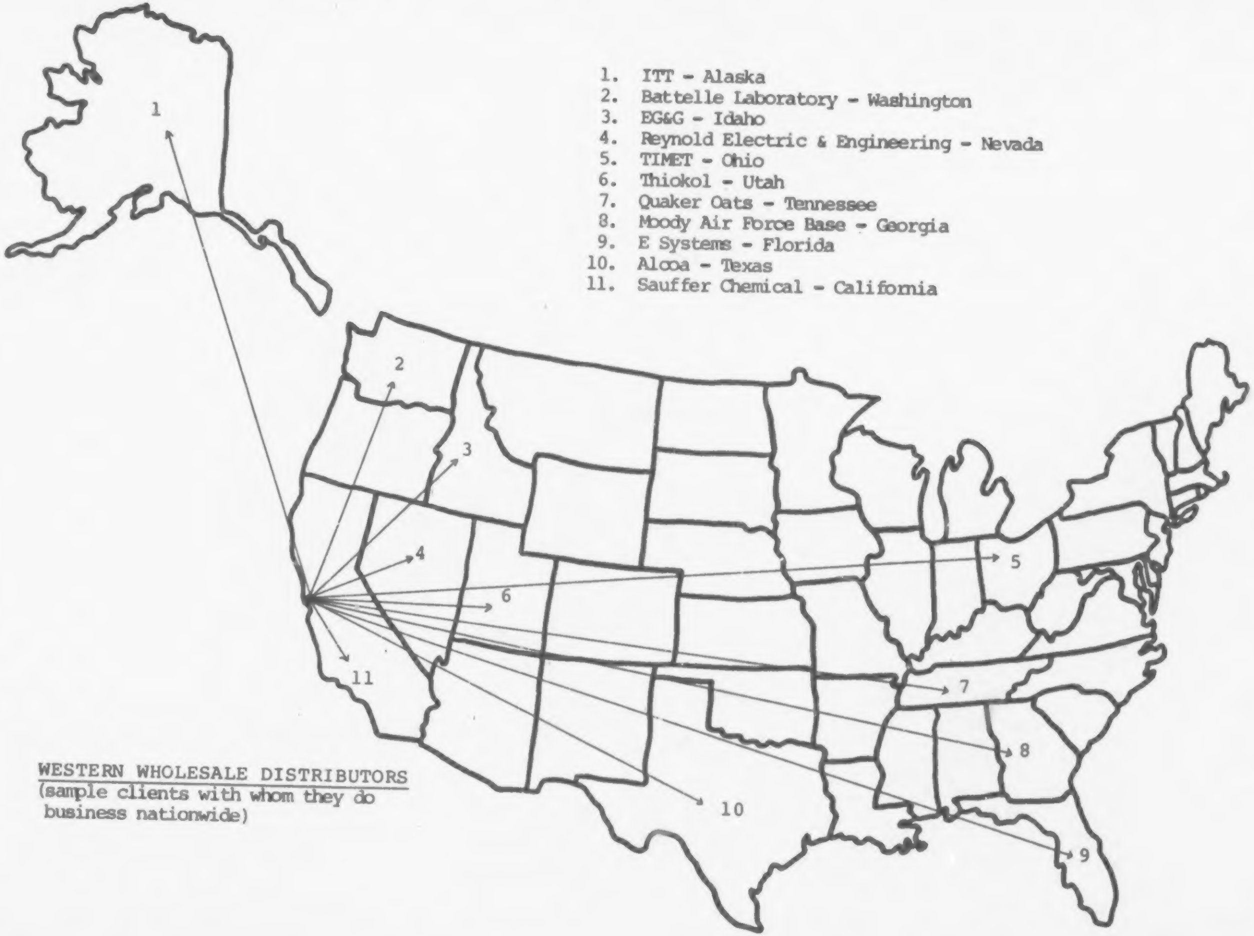
(location in relation to Lockheed and FMC)


San Francisco
Oakland
San Francisco Bay
Western Wholesale Distributors
Dublin
Lockheed
Sunnyvale
FMC Ordnance
San Jose



1. ITT - Alaska
2. Battelle Laboratory - Washington
3. EG&G - Idaho
4. Reynold Electric & Engineering - Nevada
5. TIMET - Ohio
6. Thiokol - Utah
7. Quaker Oats - Tennessee
8. Moody Air Force Base - Georgia
9. E Systems - Florida
10. Alcoa - Texas
11. Sauffer Chemical - California

WESTERN WHOLESALE DISTRIBUTORS
(sample clients with whom they do
business nationwide)

Mr. ADDABBO. Thank you very much, Mr. Denlinger.

Mr. Martin, looking at your testimony you state on page 3 that your association actually presented several proposals to Mr. Sanders, the Small Business Administrator, on November 3, 1982. What was Mr. Sanders' response to your report and recommendations?

Mr. MARTIN. Mr. Chairman, I would like to defer to Gordon Alexander who was the member of the roundtable who worked with that task force, if you do not mind.

Mr. ADDABBO. Mr. Alexander.

Mr. ALEXANDER. Mr. Chairman, there was no formal response to the task force, subsequent to its submission to the SBA Administrator.

Mr. ADDABBO. Although, Mr. Sanders established a task force on Public Law 95-507 on August 10, I fully agree with you as of today, the task force has not received any responses or recommendations. Nor have we. So, we will be questioning him further on it.

Mr. Martin, again, in your summary of recommendations, page 4, you talk about a point system. Is that similar to the point system as given to us by Mr. Denlinger?

Mr. MARTIN. I think so. Yes, Mr. Denlinger's point system is quite similar to ours.

Mr. ADDABBO. Also, on page 6 you talk about the monitoring program of the top 100 DOD prime contractors. Can you give us a little more detail on how this program would work?

Mr. MARTIN. Again, I would like to defer to Gordon who has been very much involved in this.

Mr. ADDABBO. Mr. Alexander.

Mr. ALEXANDER. You're referring to recommendation 5 on page 6 of the task force report.

The information that has been submitted to the Small Business Administration, and to this committee in the past, has clearly indicated that the attention that needs to be given to the progress or lack of progress in subcontracting efforts is principally attention that needs to be focused on the top 100 defense contractors.

We agree with the recommendation of the task force, that a special task force be established at SBA that would be participated in by minority business and trade associations to further monitor, more effectively monitor, and assist SBA in monitoring the performance of these contractors.

Mr. ADDABBO. Public Law 95-507 sets forth specific percentages that shall be allocated to small business. On page 7, Mr. Martin, you mention the annual goal of 35-percent-dollar volume of subcontracting to small businesses, and 15 percent to small, disadvantaged businesses, and a 2-percent-per-year increase.

How did you arrive at that figure, Mr. Alexander?

Mr. ALEXANDER. That figure was a specific recommendation of the White House Conference on Small Business. We simply felt that it was time that it be given some serious attention. The 15 percent that would be achieved under this recommendation 6 is also similar to the 15 percent that would be achieved under the increase by 2 percent per year over the next 6 years or so.

I think Mr. Martin stated his belief that if this could be achieved it would certainly be a very clean and definite way of achieving that percentage. However, he also indicated that based on our experience in the past, it is probably a rather difficult thing to achieve.

Mr. **Addabbo**. If our contractors follow the law, not the letter of the law but the intent of the law, and were actually intent upon helping the entire economy, that percentage would be easily achieved, and you're being very fair when you ask for a 2-percent-per-year increase when the Defense Department is looking for 7- and 12-percent increase in their own budget before my other committee.

Mr. **Alexander**. Well, we agree. I would also call the chairman's attention to recommendation 4. We feel that professionals in the area of personnel management, our Federal personnel involved in matters that impact subcontracting, and, indeed, any aspect of minority business, and the critical performance standards that are recommended under recommendation 4 all tie into the point that you just made; that, certainly, if those who are charged with responsibilities that are attendant to, and accompany the Government's attention in the areas of minority business at a price that if they were performing, and if they knew that some dollars that would be going into their pockets in terms of bonus, and in terms of increase in grade, promotion, and what have you, would tie to their performance in this area, we would probably begin to see some fairly strong improvements in the effort to deal with the areas.

Mr. **Addabbo**. I fully agree.

We'll find the way one of these days. If legislation doesn't work then maybe we can do it with appropriations.

Mr. Tidd, on page 2 of your testimony you state that during the past 3 years members of your organization were contacted 246 times by the large businesses.

For the record, I would ask you to submit the names of the large businesses who contacted your members, the actual dollar value for each subcontract awards, if any, and the names of each business who awarded the contract.

Mr. **Tidd**. I'll submit that, Mr. Chairman.

Mr. **Addabbo**. Thank you.

Mr. **Tidd**. Mr. Chairman, this data goes back 3 years, and it may not be totally accurate. I will have to gather it from the companies, and they will have to have kept records of what large businesses contacted them over a period of 3 years, and their data may not be totally accurate.

Mr. **Addabbo**. Well, if it's more convenient go back 2 years, and more accurate. Whichever you figure the accurate barometer would be.

Mr. Denlinger, on page 5 you stated that marketing was a costly wasted effort with Lockheed. Do you have any recommendations other than those presented in your testimony what should be done when companies like Lockheed refuses to do business with qualified small and small disadvantaged firms?

Mr. **Denlinger**. Well, the focus in this administration seems to be on positive inducements with respect to financial incentives, and so forth. I think that's well and good. But I also think that as I look around the country many of my members have penalty clauses, Congressman, in their contracts where if they don't perform on time, or if their product is deficient, or something of that nature, they are penalized quite substantially.

There is a very, very large 8(a) contract that's in the process of being negotiated with the U.S. Navy in relationship to the Rapid Deployment Force. There was a great deal of talk about a $40,000 a day penalty if they failed to produce on time.

The chairman of my board of directors in the precast concrete products did some work for one of the universities out in California, and he had a very severe penalty clause if he did not delivery precast concrete products on time. So I think that penalty clauses certainly have a place in this program.

Mr. ADDABBO. Thank you. A very good suggestion.

Gentlemen, thank you very much for taking your valuable time to appear before the committee. As the chair and committee has admonished in the past, if any of you find because of your appearance before the committee any adverse actions taking, I don't know if any more adverse action could be taken that hasn't been taken in the past, but if any other adverse action has been taken please, advise the committee.

In addition to that, the committee may have further questions for you which we will submit for the record and send on to you.

If any of you stay on and listen to the other witnesses we cannot have cross-discussion. If any of you do stay on and listen to any other witnesses, and you have some response you'd like to make during testimony that you hear today, we would be happy to receive it for the record.

Mr. DENLINGER. Thank you very much.

Mr. ADDABBO. Thank you very much, gentlemen.

Mr. MARTIN. Thank you, sir.

[Pause.]

Mr. ADDABBO. Our next panel consists of Maj. Gen. David Stallings, Director for Procurement, U.S. Army Materiel Development Readiness Command, or DARCOM; Tony DeLuca, principal assistant to Director of Contract and Manufacturing Headquarters, Air Force Systems Command, Andrews Air Force Base, and Capt. Phil H. Harrington, U.S. Navy Commander, Terminal Island, Long Beach, CA.

Gentlemen?

[Pause.]

Gentlemen, in the interest of time your entire statements will be made part of the record, and would ask you to summarize it for the committee.

General Stallings?

TESTIMONY OF MAJ. GEN. DAVID W. STALLINGS, DIRECTOR FOR PROCUREMENT AND PRODUCTION, U.S. ARMY MATERIEL DEVELOPMENT READINESS COMMAND, DEPARTMENT OF THE ARMY

General STALLINGS. Good morning, Mr. Chairman. I'm General Stallings, the Director of Procurement and Production at DARCOM Headquarters representing the Department of Army.

I'll just synopsize my statement. I have submitted a formal written statement for you.

Mr. **Addabbo**. Your statement will be made part of the record.

General **Stallings**. The initial implementation in DARCOM of the small and small disadvantaged business subcontracting program as with the rest of the Department of Defense, was not all it should have been when we first started out. There was a learning period for both DARCOM buying activities, and for our major contractors.

We believe that our major contractors are now in the main in compliance with the requirements of the defense acquisition regulation, as it implements in Public Law 95-507.

Our estimate is that less than 10 percent of our subcontracting plans now submitted by our prime contractors are not being accepted when first submitted.

When an unacceptable plan is submitted it must be corrected before the contractor can receive the award.

DARCOM's performance on its annual small business program, including the subcontracting program, is reviewed on a quarterly basis by the DARCOM commander. The small business program is part of our performance standards for the acquisition managers in our major buying commands.

The small business program is taken seriously within our command. We exceeded our subcontracting program goal in fiscal year 1981. We fell four-tenths of 1 percentage point below our goal in fiscal year 1982. In fiscal year 1983 we exceeded the 1982 performance, but fell 4.1 percentage points below our goal for the year. We're going to continue to work on this.

That ends my statement, and I'm ready to answer any questions that you have.

[General Stallings' prepared statement follows:]

PREPARED STATEMENT OF MAJ. GEN. DAVID W. STALLINGS, DIRECTOR FOR PROCUREMENT AND PRODUCTION, U.S. ARMY MATERIEL DEVELOPMENT READINESS COMMAND, DEPARTMENT OF THE ARMY

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE TODAY TO DISCUSS IMPLEMENTATION BY THE ARMY MATERIEL DEVELOPMENT AND READINESS COMMAND (DARCOM) OF THE SUBCONTRACTING PROGRAM ESTABLISHED UNDER SECTION 211 OF PUBLIC LAW 95-507.

AS YOU KNOW, THE INITIAL IMPLEMENTATION OF THE SMALL BUSINESS SUBCONTRACTING PROGRAM IN DARCOM, AND THROUGHOUT THE DEPARTMENT OF DEFENSE, WAS NOT AS IT SHOULD HAVE BEEN. THERE WAS A CONSIDERABLE LEARNING EXPERIENCE FOR BOTH THE GOVERNMENT AND THE PRIME CONTRACTORS AS TO WHAT PL 95-507 AND THE IMPLEMENTING INSTRUCTIONS FROM THE OFFICE OF FEDERAL PROCUREMENT POLICY AND THE DEPARTMENT OF DEFENSE REQUIRED. WE BELIEVE THAT WE ARE NOW ON TRACK WITH WHAT THE DEFENSE ACQUISITION REGULATION REQUIRES.

CHAIRMAN MITCHELL'S LETTER OF 8 MARCH 1984 REQUESTED THAT DARCOM'S TESTIMONY ADDRESS CERTAIN SPECIFIC ITEMS.

SUBCONTRACTING GOALS: THE SECRETARY OF THE ARMY ASSIGNS DARCOM ITS ANNUAL SMALL BUSINESS PROGRAM GOALS, INCLUDING THAT FOR THE SMALL BUSINESS SUBCONTRACTING PROGRAM. DARCOM, IN TURN, ESTABLISHES GOALS FOR ITS SUBORDINATE BUYING ACTIVITIES. EVERY LEVEL OF COMMAND USES THE GOALS TO MEASURE AND MANAGE PERFORMANCE AND ADMINISTRATION OF THE PROGRAM. AT THE HEADQUARTERS LEVEL, THE COMMAND'S PERFORMANCE AGAINST THE SUBCONTRACTING GOAL IS REVIEWED ON A QUARTERLY BASIS WITH THE DARCOM COMMANDER. IN THE FIELD, THE SMALL BUSINESS SUBCONTRACTING PROGRAM IS MONITORED MORE CLOSELY, INCLUDING VISITS TO THE INDIVIDUAL PRIME CONTRACTOR LOCATIONS FOR WHICH DARCOM HAS CONTRACT ADMINISTRATION RESPONSIBILITY. THESE VISITS ARE USUALLY MADE IN CONJUNCTION WITH SMALL BUSINESS ADMINISTRATION PERSONNEL LOCATED NEAR THE PLANT.

REGARDING ACTUAL PERFORMANCE AGAINST ASSIGNED GOALS, THE DATA IS:

FY 1981		FY 1982		FY 1983	
GOAL	$186.0M	GOAL	40.0%	GOAL	47.5 ~~45.7~~%
ACTUAL	$193.4M	ACTUAL	39.6%	ACTUAL	43.4%

IN FY 81, THE SMALL BUSINESS SUBCONTRACTING GOAL WAS EXPRESSED IN DOLLARS; SINCE THEN, IT HAS BEEN EXPRESSED IN PERCENTAGES. DARCOM EXCEEDED ITS GOALS IN FY 81 AND FELL JUST 0.4 PERCENTAGE POINTS BELOW OUR GOAL IN FY 82. IN FY 83, DARCOM EXCEEDED ITS FY 82 PERFORMANCE, BUT FELL 4.1 PERCENTAGE POINTS BELOW OUR GOAL FOR THE YEAR. DARCOM'S MAJOR BUYING ACTIVITIES WERE REQUESTED TO REVIEW THE PERFORMANCE OF INDIVIDUAL PRIME CONTRACTORS IN AN ATTEMPT TO INCREASE THE PERCENTAGE OF AWARDS TO SMALL AND SMALL DISADVANTAGED FIRMS. WE INTEND TO KEEP WORKING ON THIS.

OTHER DATA REQUESTED BY THE SUBCOMMITTEE IS:

DARCOM PRIME CONTRACT AWARDS

	FY 1981	FY 1982	FY 1983
TOTAL US DOLLARS	$13,883.9M	$17,242.5M	$18,749.9M
LARGE BUSINESS	$11,790.5M	$14,630.6M	$16,031.7M
SMALL BUSINESS	$2,093.4M (15.1%)	$2,611.9M (15.1%)	$2,718.2M (14.5%)
SMALL DISADVANTAGED BUSINESS	$346.1M	$377,1M	$297.8M
CONTRACTS W/SUBCONTRACT CLAUSE	1064	1034	916

DATA ON THE DOLLAR VALUE OF SUBCONTRACT COMMITMENTS AND THE PORTION COMMITTED TO SMALL AND SMALL DISADVANTAGED FIRMS FOR EACH INDIVIDUAL PLAN IS NOT REPORTED. SUMMARY DATA FOR THE ARMY AS A WHOLE IS AVAILABLE:

	FY 1981	FY 1982	FY 1983
VALUE OF ALL SUBCONTRACTS	$1,461.3M	$1,347.7M	$1,622.6M
VALUE OF SUBCONTRACTS TO SMALL BUSINESS	$709.9M	$606.2M	$708.0M
PERCENTAGE TO SMALL BUSINESS	48.6%	45.0%	43.6%
VALUE OF SUBCONTRACTS TO SMALL DISADVANTAGED BUSINESS	$68.3M	$62.1M	$72.2M
PERCENTAGE TO SMALL DISADVANTAGED BUSINESS	4.7%	4.6%	4.5%

WE DO HAVE DATA FOR THE 25 PRIME CONTRACTOR LOCATIONS FOR WHICH DARCOM IS RESPONSIBLE FOR REPORTING ACTUAL PERFORMANCE. TWENTY-TWO OF THESE LOCATIONS ARE FOR OPERATION OF GOVERNMENT OWNED-CONTRACTOR OPERATED ARMY AMMUNITION PLANTS. THE OTHER 3 LOCATIONS ARE CONTRACTOR OWNED AIRCRAFT PLANTS.

	FY 1981	FY 1982	FY 1983
TOTAL SUBCONTRACTS	$400.7M	$623.3M	$825.0M
SUBCONTRACTS WITH SMALL BUSINESS	$193.4M	$246.7M	$357.7M
SUBCONTRACTS WITH SMALL DISADVANTAGED BUSINESS	$15.2M	$7.3M	$26.6M

OUR ESTIMATE IS THAT LESS THAN 10% OF THE SUBCONTRACTING PLANS SUBMITTED BY PRIME CONTRACTORS ARE FOUND TO BE UNACCEPTABLE. THERE HAS BEEN A SIGNIFICANT IMPROVEMENT OVER THE YEARS AS BOTH THE GOVERNMENT AND THE CONTRACTORS HAVE GAINED EXPERIENCE WITH THE REQUIREMENTS OF THE LAW. WHEN PLANS ARE FOUND TO BE UNACCEPTABLE, THE DEFICIENCIES ARE BROUGHT TO THE ATTENTION OF THE CONTRACTOR AND HE CORRECTS THEM.

THUS FAR IN FY 84, THERE HAVE ONLY BEEN TWO INSTANCES WHERE A DARCOM BUYING OFFICE HAS BEEN ADVISED THAT A PRIME CONTRACTOR WAS NOT COMPLYING WITH ITS SUBCONTRACTING PLAN. BOTH WERE FOR THE SAME REASON, FAILURE OF THE PRIME

CONTRACTOR TO PROPERLY OVERSEE THE ACTIVITIES OF ITS SUBCONTRACTORS RELATIVE TO THE FLOW DOWN REQUIREMENTS OF THE LAW. BOTH OF THESE INSTANCES ARE STILL BEING INVESTIGATED. DARCOM HAS NOT TERMINATED ANY CONTRACTOR FOR NONCOMPLIANCE.

ONE OF THE MOST IMPORTANT OF THE OUTREACH EFFORTS BY DARCOM ACTIVITIES IN FURTHERING SUBCONTRACTING OPPORTUNITIES FOR SMALL AND SMALL DISADVANTAGED BUSINESSES IS THE SPONSORSHIP AND PARTICIPATION IN PROCUREMENT CONFERENCES AND FAIRS THROUGHOUT THE COUNTRY. DURING THE LAST TWELVE MONTHS DARCOM HAS PROVIDED SUPPORT TO TWENTY-ONE PROCUREMENT CONFERENCES HELD UNDER THE AUSPICES OF THE DEPARTMENT OF COMMERCE.

IN ADDITION, DARCOM INSTALLATIONS HAVE SPONSORED OR CO-SPONSORED THIRTEEN PROCUREMENT CONFERENCES IN CONCERT WITH MEMBERS OF THE CONGRESS OR AS SEPARATE LOCALIZED AFFAIRS. THE OPPORTUNITIES FOR SUBCONTRACTING ARE EMPHASIZED TOGETHER WITH PRIME CONTRACTING OPPORTUNITIES. WITHOUT EXCEPTION, BOTH THE COMMERCE AND DARCOM SPONSORED CONFERENCES INCLUDE ATTENDEES REPRESENTING LARGE CONTRACTORS WHOSE PRESENCE IS CALCULATED TO SURFACE SUBCONTRACTING OPPORTUNITIES FOR SMALL BUSINESS.

DARCOM'S PLANS TO IMPROVE THE EFFECTIVENESS OF THE SUBCONTRACTING PROGRAM IN THE FUTURE WILL ESSENTIALLY BE IN TWO AREAS, ONE TO IMPROVE CONTRACTOR COMPLIANCE WITH APPROVED SUBCONTRACT PLANS AND THE OTHER TO LOCATE ADDITIONAL SMALL AND PARTICULARLY SMALL DISADVANTAGED BUSINESS SOURCES. SPECIFICALLY, I WILL BE ISSUING GUIDANCE TO MY PROCURING CONTRACTING OFFICERS TO THE EFFECT THAT THEY INSURE THEY ARE RECEIVING INPUT FROM THE DCAS ADMINISTRATIVE CONTRACTING OFFICERS REGARDING THE CONTRACTORS PERFORMANCE AGAINST THE AGREED TO GOALS IN THE CONTRACT. DARCOM ALSO INTENDS TO BE AN ACTIVE PARTICIPANT IN THE OUTREACH PROGRAMS PREVIOUSLY MENTIONED IN AN EFFORT TO LOCATE NEW SMALL AND SMALL DISADVANTAGED BUSINESS SOURCES.

THIS CONCLUDES MY FORMAL STATEMENT. I WILL BE HAPPY TO ANSWER QUESTIONS.

Mr. ADDABBO. You're going the wrong way.

General STALLINGS. I understand, sir.

Mr. ADDABBO. Why?

General STALLINGS. As you look specifically, if I can just take a second here and turn specifically to the numbers, in fiscal year 1982 there were a number of specific awards that went to small business that were very hard to duplicate in fiscal year 1983. One of them was a generator, that was given to the gentleman that was up here just a minute ago, West Tech.

That certainly was a hard number for us to meet again in fiscal year 1983.

Starting in fiscal year 1981 the goals were in dollars, and we had a $186 million goal that should have been subcontracted to small businesses. We actually did $193 million.

In fiscal year 1982 it was converted over to percentages and we were given a goal of 40 percent. We did 39.6.

In fiscal year 1983 the goal was raised to 47.5, and we did 43.4.

I believe, Mr. Chairman, that's the best in the Department of Defense. We don't accept those as outstanding and we'll continue to work on it.

Mr. ADDABBO. You can play games with numbers, and everything else. You gave me a dollar goal in 1981. What was your dollar goal in 1982?

General STALLINGS. OK, sir.

[Pause.]

General STALLINGS. The dollar goal for subcontracts for small business was $193 million, as I said, in 1981. In 1982, it was $246 million, and in fiscal year 1983, it was $357 million——

Mr. ADDABBO. Three hundred?

General STALLINGS. $357.7 million.

Mr. ADDABBO. So, actually, the dollar values have increased since 1981?

General STALLINGS. That is right. They have.

Mr. ADDABBO. They just have failed to meet the percentage goal of the dollar increase?

General STALLINGS. Yes, sir. The dollar value has gone up, and we were only 4 percent below it in fiscal year 1983.

Mr. ADDABBO. Of 300, 4 percent would be what? About $12 million deduction?

General STALLINGS. Yes, sir.

Mr. ADDABBO. So, it would be down to about $300 million as against $190 million in 1982?

General STALLINGS. Yes, sir. The 1981 figure was $193 million; 1982 it was up to $246 million, and fiscal year 1983, it was up to $357 million.

Mr. ADDABBO. So, actually, you had been moving forward as far as dollar value was concerned.

General STALLINGS. Yes, sir.

Mr. ADDABBO. But the percentage of your goal——

General STALLINGS. No, one of the things that I want to make clear to you, Mr. Chairman, is that in DARCOM, these measurements measure a small percentage of our buying commands. There are three plants; there are aviation plants that we have plant cognizance for, that we report; and then there are another 22 GOCO operations that you are familiar with, that's the ammunition plants.

Now, that is where we have plant cognizance so that is what we report in DARCOM Headquarters, and you can understand that DARCOM is much broader than that, so these figures that I am giving you are strictly to measure that, and the people that you will hear from later, the entire Army representatives will give you the total scope of the Army program. I wanted to make that clear that it is really what I am talking to here today, and that is what we are measured against.

Mr. ADDABBO. Is it your responsibility to implement DARCOM's subcontracting program?

General STALLINGS. Yes, sir, it is.

Mr. ADDABBO. On the last page of your testimony, you stated that you plan "to improve the effectiveness of the subcontracting program" by improving contracting plans with approved subcontracting plans and to locate additional small and small disadvantaged businesses.

How long have you been in charge of implementing DARCOM subcontracting?

General STALLINGS. Well, sir, I have been in this particular job for a little over 10 months, but I came from one of the buying commands. I came from the Tank Automotive Command in Michigan, where I was deputy commander.

Mr. ADDABBO. I cannot rap you too hard; you are new on the block.

General STALLINGS. Well, that's true, sir, but I am responsible for this particular program. Of course, in the small business area, you know that the way the rules are for the commands, the small businessman who is responsible for that specifically answers direct to the commander. He has got an open-door policy and so our man, Mr. Frank Berda, who is accompanying me here today, has an open-door right with General Keith where he can go in and receive his guidance and get plenty of visibility.

I am the staff operator for procurement and production. So, therefore, I have a great interest in what is done, and I am the man that helps General Keith get this done, but I just want to make that clear that in the commands our small business civil servant has the opportunity to deal directly one on one with our commander.

Mr. ADDABBO. The men under your command, do they make actual field visits to individual prime contractors in order to monitor their subcontracting program?

General STALLINGS. Yes, sir. Each one of our commands has a small business representative, and so therefore he will go on site to the plants where we are doing our business and to the local surrounding area.

For example, the man in the Tank Automotive Command, or the man in the Missile Command down in Huntsville, and those people in his region, he will make visits there along with the Small Business Administration representative. The two of them will go together to visit these plants, and the contractors.

[Pause.]

Mr. ADDABBO. General, those figures we just discussed on the percentage reductions, looking at your statement, the synopsis of your statement, where page regarding actual performance against assigned goals, and then you have other data requests such as these DARCOM prime contract awards.

General STALLINGS. Yes, sir.

Mr. ADDABBO. When we look at the small disadvantaged businesses in fiscal year 1981, we had $346.1 million, and 1982 improved to $377.1 million, but when we look at fiscal year 1983, we see a slippage down to $297.8 million, and when we look at the contracts with a subcontracting clause in it, 1981 was 1,064. This is your statement?

General STALLINGS. Yes.

Mr. ADDABBO. Fiscal year 1982, 1,034; and fiscal year 1983, we see a decline down from 916. So, again, as I said earlier, the percentage was going the wrong way, and it appeared that the actual numbers are going the wrong way. Can you explain that, sir, from your statement?

General STALLINGS. Again, let me hark back to the fiscal year 1982 figure. That was certainly a banner year where you see the $377 million, and so we were given a goal. Our actual goal, in fact, for fiscal year 1983, was pushed up to $408 million. I don't think that was on your sheet there, so our actual goal was pushed up to $408 million.

We just have not been able to come up with enough people in the small disadvantaged business to meet that goal. We have just failed to do that. Part of the reason goes back to the very large award on that small generator that went to the gentleman that was up here earlier.

Mr. ADDABBO. You have to be complimented on that. You looked for it and you went and you found it, but I am just wondering whether part of that could have been due to the fact that the administration has been pushing contractors out of the 8(a) system, and not accepting new businesses into the 8(a) system, and therefore you do not have the base, and therefore you say there is no base, and therefore we can't give it to them. Could that be part of the problem?

General STALLINGS. Well, then, also, in the small disadvantaged business, when it is subcontracted to a, let's say to an RCA or to an FMC, one of those folks, and let's say they do very well on subcontracting to small business.

In fact, let's take an example of a company that may do 80 percent, or even as much as 90 percent to the small business, but they do very poorly and maybe they will only have a less than 2 percent to small disadvantaged business, that is because in the current rules that small, disadvantaged has to compete with small business, and quite often he just does not win that really, Mr. Chairman, I think if you are going to get at the root cause and change that figure, you may have to have some legislation to help those people at the small disadvantaged business to be able to compete with the small business guys.

Now, we do have some relief in that; we have currently some OSD guidance for doing work under A-76, which is doing contracting-out of the base-ops type operations.

Where we have predominantly been doing business with a small disadvantaged firm, and when the Government was running it, and then if we are going to enter into an umbrella-type contract with a large contractor, RCA or Lockheed or one of those folks, we can now go ahead and continue to do business with that small disadvantaged businessman, if we have been doing business with him before.

In the past, especially where you see some of these statistics, we were not allowed to. We had to go ahead and do business with whomever was the winning competitor.

So, certainly, that helps us when we are doing business on basecamp type operations, but now when you are dealing with weapons systems, as far as I know there is no particular relief, and the small disadvantaged man has got to compete with the small businessman, and in the majority of the cases may lose out.

Mr. **Wyden**. I agree there has to be some realignments but again as we have pointed out so often in these hearings, if the small business advocates out there would look to more break-outs, and broaden that base, the competition for small business and small disadvantaged business will increase. In addition, there will be enough work out there that you can set aside for the 8(a) corporation.

General **Stallings**. Sir, we recognize that. We agree with you. DARCOM has an aggressive program on that. During the last 12 months, we had 21 procurement conferences that were held in conjunction with the Department of Commerce folks to try to broaden that base and to bring people in to these conferences, and they will be run by a command, like the communications command at Fort Monmouth, and they will open their doors so the small business and the large business folks will come in and sit down and find out what are you going to do in the way of radio procurements. What are you going to do in the area of communications? Where are these areas or these targets of opportunity for them?

We have also had 13 procurement conferences in concert with Members of Congress, and I know specifically that we had one that was very successful at TACOM while I was up there, trying to open our doors to the people and explain what our business is and explain how you can do business with us in the small disadvantaged business area.

We think that is a very important thing. I'll tell you another thing, sir, that we need to follow up within our command. We need to make sure there is a clear communication between the PCO and the ACO, because the ACO that belong, in the majority of the cases, belongs to DCAS, is the man that is administering that contract, and would know if there is a failure on the part of the contractor to carry out everything that he agreed to in his contract.

The contractor says he was going to have 20 percent with small business, and he was going to have 2 percent with small disadvantaged business.We have to have that good feedback between the ACO who is administrating that with the PCO that would be out of the Missile Command in Huntsville.

Sir, that is another area where we are going to concentrate on and work very hard in that area, if we are permitted to do it.

Mr. **Addabbo**. We appreciate, General, your positive statements on your subcontacting program and we will continue to monitor it.

You had mentioned 28 or so conferences. Supply for the record how many contracts, subcontracts were awarded, that came about through those conferences.

General **Stallings**. Sir, I will certainly try. I don't know whether I can specifically say that because they attended the conference that they did that, but I will certainly make an attempt to do that, sir.

[The information referred to above follows:]

The requested information is not available. It is not possible to state that a subcontract was awarded just because of attendance at a conference.

Mr. **Addabbo**. Mr. DeLuca, who is the principal Assistant to the Director of Contracting will be our next witness.

TESTIMONY OF ANTHONY J. DeLUCA, PRINCIPAL ASSISTANT TO THE DEPUTY CHIEF OF STAFF CONTRACTING AND MANUFACTURING, AIR FORCE SYSTEMS COMMAND, DEPARTMENT OF THE AIR FORCE, ACCOMPANIED BY DAVID H. OSWALT, COMMAND EXECUTIVE FOR SMALL AND DISADVANTAGED BUSINESS UTILIZATION, AND LARRY L. JONES, SMALL AND DISADVANTAGED BUSINESS UTILIZATION SPECIALIST, AIR FORCE CONTRACT MANAGEMENT DIVISION

Mr. **DeLuca**. Good morning, Mr. Chairman.

I am here today representing Gen. Robert T. Marsh, Commander of AFSC.

Mr. **Daub**. Excuse me, Mr. Chairman. We will come back again for an opportunity to General Stallings and I to visit.

Thank you.

Mr. **DeLuca**. With your permission, sir, I would like to read a brief summary of the statement that I have entered into the record.

Mr. **Addabbo**. Fine. The entire statement is made a part of the record.

[Mr. DeLuca's prepared statement with attachments follows:]

PREPARED STATEMENT OF ANTHONY J. DELUCA, PRINCIPAL ASSISTANT TO THE DEPUTY CHIEF OF STAFF CONTRACTING AND MANUFACTURING, AIR FORCE SYSTEMS COMMAND, DEPARTMENT OF THE AIR FORCE

I am Anthony J. DeLuca. I serve as the Principal Assistant to the Deputy Chief of Staff Contracting and Manufacturing, Headquarters Air Force Systems Command (AFSC). I am here today representing General Robert T. Marsh, Commander, AFSC. I am accompanied by Mr David H. Oswalt, the AFSC Command Executive for Small and Disadvantaged Business Utilization and Mr Larry L. Jones, our Air Force Contract Management Division Small and Disadvantaged Business Utilization Specialist.

First, a few words describing the AFSC mission. It is in three parts: (1) the advancement of aerospace technology, (2) the adaptation of these advances into operational aerospace systems; and (3) the acquisition of qualitatively superior areospace systems and material. The Command takes an idea and, through research, development, test, evaluation, and contracting and manufacturing, delivers a fully operational aerospace system such as an F-15 airplane to an operating command. Within the context of this mission, AFSC is fully committed to an effective Small and Disadvantaged Business Program. We believe that it makes sound business sense to have a strong small and small disadvantaged business community participating in our acquisitions because they can often offer unique specialization, innovation, and lower prices. Such firms are absolutely essential to maintaining a strong industrial base.

AFSC has maintained an outstanding small and small disadvantaged business record. The Command has been selected twelve consecutive years for receipt of the Secretary of the Air Force Small and Small Disadvantaged Business Program Award for outstanding achievements. We have received two

Special Citations from the Deputy Secretary of Defense for Exceptional Small Disadvantaged Business Program Support; one was received in November 1979 and the other in July 1982. Such accolades are the result of a dedicated Command commitment to the Small and Small Disadvantaged Business Program. This commitment is strongly articulated by General Robert T. Marsh, the AFSC Commander, and is vigorously supported by AFSC field commanders and acquisition personnel. In FY 83, AFSC awarded $632 million in small business prime contract awards and $141 million to small disadvantaged business firms through Section 8(a) and direct minority awards. In the area of implementation of Section 211 of P.L. 95-507, subcontract awards to small business firms by contractors for which we have contract administration cognizance were $3.464 billion in FY 83 versus $3.037 billion in FY 82. Small disadvantaged business subcontract awards were $193 million in FY 83 versus $158 million in FY 82. We expect to do even better in FY 84.

AFSC is vigorously implementing the requirements of Section 211 of P.L. 95-507 through the provisions of Defense Acquisition Regulation Section 1-707. I have provided as an attachment several questions and answers that elaborate on AFSC implementation. Questions and answers 1 through 7 provide information specifically requested in your March 8, 1984 letter to Secretary Orr.

I do, however, want to highlight a few actions taken by AFSC which are not required by Section 211 of P.L. 95-507 but which are designed to help assure proper implementation. More detailed information on these initiatives is set forth in my answers to questions 2, 6, 7, and 8 in the attachment hereto.

AFSC helped pioneer "Small and Small Disadvantaged Business Subcontracting Plan Evaluation Guidelines" to provide guidance to contracting officers on what type of assistance should be requested, what to look for, and what to do in meeting his or her responsibilities concerning the submission and evaluation of subcontracting plans. Such efforts resulted in Air Force Guidelines distributed in January 1981 and DOD Guidelines distributed in August 1983.

AFSC also pioneered the use of a divisional or plant master subcontracting plan to include all required elements set forth in Section 211 for a subcontract plan with the exception of goals. This is now DOD policy.

The AFSC Executive for Small and Disadvantaged Business Utilization and the Air Force Director of Small and Disadvantaged Business Utilization visited major Air Force contractors and developed a list of key elements which are particularly innovative and effective in helping assure outstanding small and small disadvantaged business subcontract efforts. This list of key elements was forwarded to the chief executive officer of major Air Force prime contractors by the Secretary of the Air Force. This is a very significant initiative because it provided a "cross feed" of information on innovative elements which can give real impetus to small and small disadvantaged business subcontracting.

The AFSC Air Force Contract Management Division developed a booklet "Selling to Air Force Prime Contractors" to better enable prospective small and small disadvantaged business subcontractors to know where to go and who to contact. This has been given wide distribution and has been very well received by the small and small disadvantaged business community.

The AFSC Air Force Contract Management Division (AFCMD) has a Small and Disadvantaged Business Utilization Specialist that makes periodic visits to each of the prime contractors under AFSC contract administration cognizance. He reviews contractor efforts and assures that the Small and Disadvantaged Business Utilization Specialist located at the contractor's facility is properly carrying out his or her functions.

Each year the AFSC AFCMD Commander holds a conference with company chief executive officers for contractors under AFSC contract adminstration cognizance. The Small and Small Disadvantaged Business Subcontract Program is always on the agenda and the importance of this program is stressed.

In closing, I want to emphasize that AFSC is oriented toward doing as much business as possible with small and small disadvantaged businesses. We believe in the importance of such firms to maintaining a strong industrial base. It is our desire to make every effort to assure proper implementation of Section 211 of P.L. 95-507.

I will be pleased to address any questions which you may have.

1 Atch
Questions and Answers

Questions and Answers

1. What were the Air Force Systems Command subcontracting goals for small and small disadvantaged business and how were the goals established and used to manage the administration of the program?

	Small Business Subcontract Goal		Small Disadvantaged Subcontract Goal	
	Assigned	Achievement	Assigned	Achievement
FY 81	31.3%	31.5% ($2,925,761B)	$155M	$160M
FY 82	31.9%	33.1% ($3,037,671B)	$165M	$158M
FY 83	32.9%	31.4% ($3,464,263B)	$170M	$192M

Estimates are requested by the Air Force Contract Management Division (AFCMD) from each prime contractor under AFCMD contract administration cognizance. The estimates show total subcontract dollars, small business subcontract dollars, and small disadvantaged business subcontract dollars. AFCMD consolidates the data and submits it to Headquarters Air Force Systems Command (HQ AFSC). HQ AFSC submits estimates to Headquarters United States Air Force (HQ USAF). HQ USAF submits estimates to the Office of the Secretary of Defense (OSD). OSD negotiates the goals with the Small Business Administration (SBA). If agreement cannot be reached, OSD and SBA contact the Office of Federal Procurement Policy (OFPP). OFPP makes a decision and their decision is final. OSD then assigns goals to HQ USAF; HQ USAF assign goals to HQ AFSC; HQ AFSC assigns goals to AFCMD; and AFCMD assigns goals to each of their contractors.

It is important to note that the AFCMD Commander assigns the goals in a letter to the contractor's chief executive officer.

2. If actual performance in any of the preceeding three fiscal years, cited in question 1 above, did not meet the assigned goal, indicate the remedial measures taken to improve performance in subsequent years.

In FY 82, the small disadvantaged business dollar goal was missed. It must be understood, in regard to this goal, that AFSC lost plant cognizance of McDonnell Douglas, St Louis, in FY 82. In FY 81, McDonnell Douglas had $15 millions in small disadvantaged business subcontract awards. Thus, in FY 82, AFSC had to overcome that loss. The following shows that AFSC actually had a significant increase in small disadvantaged business subcontract awards considering the McDonnell Douglas loss:

FY 81 Small Disadvantaged Business Subcontract Awards (Without McDonnell Douglass)	FY 82 Small Disadvantaged Business Subcontract Awards (Without McDonnell Douglass)
$145M	$158M

In FY 83, the small business subcontract percentage goal was missed. It is significant to note, however, that a substantial increase was made in small disadvantaged business subcontract awards and that the goal was substantially exceeded. The small business subcontract percentage goal was missed because of substantial increases in expenditures on major weapons programs such as the B1B and Peacekeeper. Many of those dollars ultimately were awarded small business firms but at the first tier subcontract level, most of the dollars were awarded to large business firms. This increased the base and lowered the small business percentage. However, the small business subcontract dollars in FY 83 increased by 14% from $3,037,671 billions in FY 82 to $3,464,630 billions in FY 83. That represented a substantial increase in subcontract dollars to small business.

A special emphasis small and small disadvantaged business subcontract effort was undertaken in both FY 82 and FY 83 designed as a measure to maximize increases in performance in subsequent years.

Following are some of the significant elements of the special emphasis small and small disadvantaged business subcontract effort undertaken:

> The AFCMD Commander sent a letter to each company chief executive officer through the Air Force Plant Representative (AFPR) assigning goals and seeking emphasis for small and small disadvantaged business subcontracting. Each AFPR discussed this subject with the chief executive officer at periodic meetings during FY 82 and FY 83.
>
> In FY 82 and in FY 83 the AFCMD Commander held a conference with company chief executive officers. Small and small disadvantaged business subcontracting was on the agenda and emphasized. The Air Force Director of Small and Disadvantaged Business Utilization was a speaker at each of the conferences.
>
> The AFSC Air Force Contract Management Division has a Small and Disadvantaged Business Utilization Specialist that makes periodic visits to each of the prime contractors under AFSC contract administration cognizance. He reviews small and small disadvantaged business subcontract efforts being made by the contractors and makes suggested changes as appropriate. He also assures that the Air Force Small and Disadvantaged Business Utilization Specialist located at the contractor's facility is properly monitoring contractor efforts described in small and small disadvantaged business subcontract plans. During FY 82 and FY 83, he made such visits to the prime contractors.

The AFSC Executive for Small and Disadvantaged Business Utilization and the Air Force Director of Small and Disadvantaged Business Utilization visited each prime contractor for which the Air Force has contract administration cognizance during FY 83. They reviewed contractor small and small disadvantaged business subcontract efforts and met with the contractor chief executive officers. As a result of these visits, a list of key elements was developed which are particularly innovative and effective in helping assure outstanding small and small disadvantaged business subcontract efforts. The Secretary of the Air Force forwarded this key elements list to the chief executive officers of major Air Force contractors on 31 August 1983 for their consideration in adding elements to give further impetus to their efforts. The Air Force Systems Command Executive for Small and Disadvantaged Business Utilization and Air Force Director of Small and Disadvantaged Business Utilization are currently making follow-up visits to the contractors and have found that many new elements have been added and others are being considered. We believe that this has been a very significant initiative.

3. Include for each of the three preceeding three fiscal years, the dollar amount of contract actions, the amount awarded to small and small disadvantaged business, the amount awarded to large business, the number of subcontract plans accepted and, for each such plan, the dollar value of all subcontract commitments and the portion of that amount committed to small and small disadvantaged businesses.

AFSC Prime Contract Awards
(000 Omitted)

	FY 81	FY 82	FY 83
Dollar Amount of Contract Actions	$11,847,901	$14,274,818	$21,311,908
Large Business Awards	11,385,997	13,747,056	20,679,641
Small Business Awards	461,904	527,762	632,267
Small Disadvantaged Business Awards	69,454	100,713	140,878
Subcontract Plans Accepted	1,269	1,308	1,447

SPECIAL NOTE: For each subcontract plan accepted, data is requested on the dollar value of all subcontract commitments and the portion of that amount committed to small and small disadvantaged businesses. Such information is not computerized and would require a tremendous workload in reviewing procuring activity contract files for FY 81, FY 82, and FY 83. Cumulative information, however, is available from the SF 295 (Summary Contract Report) for those contractors for which the Air Force has contract administration cognizance. The data shows total active contracts for FY 81, FY 82, and FY 83 and shows for subcontract plans the cumulative dollar value of all subcontract commitments and the portion of that amount committed to small and small disadvantaged businesses. That data is provided below:

Subcontract Plan Data Where Air Force Has Contract Administration Responsibility
(000 Omitted)

	FY 81	FY 82	FY 83
Subcontract Commitments	$7,191,893	$14,880,772	$19,764,398
Small Business Commitments	1,718,481	2,622,071	4,458,079
Small Disadvantaged Business Commitments	93,316	106,924	176,061

4. How frequently do prime contractors submit unacceptable subcontracting plans? What action is taken in such situations?

When the subcontract plan requirement was first implemented in 1 September 1979 about 80% of the plans received had some deficiency. There has been a dramatic improvement over the years. Now, about 90% of the plans received do not have deficiencies. Contractors new to doing business with the government show the highest incidence of plan submittals with some deficiencies. The master plan concept has been a tremendous help. Most large AFSC contractors now have a master plan for a plant or division. The master plan incorproates all of the required elements of the plan with the exception of goals and is negotiated by the administrative contracting officer. It is incorporated in the contract by reference and the procuring contracting officer only has to negotiate the goals.

If a plan is received that is deficient in some respect, it is not accepted. A contract cannot be awarded until an acceptable plan is negotiated. Contractors, of course, are anxious to correct the deficiency because they want the contract to be awarded. Withholding contract award is a very effective vehicle in the process of having deficiencies corrected.

5. When the Command is advised that any prime contractor may be in violation of a subcontracting plan under Section 211 of P.L. 95-507, what actions are taken in response to such allegations? Has any contractor been terminated for noncompliance?

If a contractor is found to be in violation of the requirements under Section 211 of P.L. 95-507 of a proposed subcontract plan, no contract award will be made until an acceptable plan has been negotiated. If a contractor is found to be in noncompliance on an existing subcontracting plan, this would be discovered by the Small and Disadvantaged Business Utilization Specialist at the contract administration activity. That individual has responsibility for monitoring contractor compliance. In addition, a noncompliance finding could be made by the Small Business Administration in a compliance review. A report would be forwarded to the PCO and if corrective action is not taken by the contractor, the contract could be terminated for material breach of contract. In addition, upon contract completion, the PCO, based on recommendations from the ACO, documents noncompliance in writing including the reasons. A copy of this documentation is provided the ACO and he or she provides such comments to future PCOs when the contractor seeks to obtain another contract. The PCO considers the contractor's past compliance as a factor in determining the contractor's responsibility.

No AFSC contractors have been terminated for noncompliance. AFSC contractors have been making good faith efforts to comply with their subcontract plan requirements.

6. What outreach program/programs has the Command established for small and small disadvantaged business to participate in the subcontracting program?

AFCMD developed in June 1981 a booklet "Selling to Air Force Prime Contractors." This booklet describes what the contractors buy and lists the focal point in the company and the Air Force Plant Representative Office that can be contacted if a subcontractor wants to do business with the prime contractor. This booklet is given wide distribution. This is a significant outreach initiative to help expand small and small disadvantaged business subcontract awards and help achieve the goals in individual subcontract plans. AFCMD has published 15,000 copies of this booklet over the past two fiscal years. They were distributed to prospective small and small disadvantaged business subcontractors through Congressionally sponsored Federal Procurement Conferences, Air Force Plant Representative Offices, and the Small and Disadvantaged Business Utilization Offices located at AFSC contracting activities. This booklet has been very well received by prospective small and small disadvantaged business subcontractors.

AFSC provides a counsellor at each Congressionally sponsored Federal Procurement Conference. Interested small and small disadvantaged business representatives are counselled on subcontract program opportunities and provided a copy of the AFCMD booklet described above.

A special outreach effort is being made on the B1B aircraft program to increase small and small disadvantaged business subcontracting. AFSC suggested that the prime contractor develop and make wide-distribution of a special B1B subcontract opportunities booklet. It was also suggested that the prime contractor hold special B1B subcontract opportunity conferences. The prime contractor was very receptive to these suggestions and both have been carried out. AFSC intends to suggest such efforts for any new major weapon program which it has in the future.

An entire section of the key elements list forwarded to Air Force prime contractors by Secretary Orr, as described in the answer to question 2 above, was devoted to innovative outreach efforts for consideration by each of the prime contractors.

AFSC Small and Disadvantaged Business Utilization Specialists interface on a regular basis with organizations such as Chambers of Commerce. They counsel on how to do business with AFSC and this counselling includes subcontracting opportunities.

AFSC procuring activities periodically hold an open house and invite small and small disadvantaged businesses interested in doing business with the Air Force to attend. Both prime and subcontract opportunities are discussed. At our Kirtland Contracting Center, for example, 217 interested small and small disadvantaged business representatives participated in a recent open house.

7. Discuss plans to improve the operations of the subcontracting program within AFSC.

AFSC will continue to vigorously pursue the special emphasis small and small disadvantaged business subcontract efforts cited in the answer to question 2 above and the outreach programs cited in the answer to question 6 above. In addition, we will continue to search for new ways to further strengthen our small and small disadvantaged business subcontract efforts.

In summary, our plans for improvement include the following significant elements:

The AFSC Commander will annually assign small and small disadvantaged business subcontract goals to the AFCMD. The AFCMD Commander will assign each contractor under AFCMD contract administration cognizance annual small and small disadvantaged business subcontract goals. Such goals will be assigned by letter to each company chief executive officer and forwarded through the Air Force Plant Representative (AFPR). The AFPR will discuss goal progress at periodic meetings with the company chief executive officer during the year.

The AFCMD Commander will hold periodic conferences with company chief executive officers. Small and small disadvantaged business subcontracting will be emphasized at such conferences.

The AFSC AFCMD Small and Disadvantaged Business Utilization Specialist will make periodic visits to each of the prime contractors under AFSC contract administration cognizance reviewing small and small disadvantaged business efforts and making suggested changes for improvement as appropriate. He will assure that the Air Force Small and Small Disadvantaged Business Utilization Specialist located at the contractor's facility is properly monitoring contractor small and small disadvantaged business efforts.

The AFSC Executive for Small and Disadvantaged Business Utilization and the Air Force Director of Small and Disadvantaged Business Utilization will periodically visit each prime contractor for which the Air Force has contract administration cognizance meeting with the company chief executive officer and emphasizing small and small disadvantaged business subcontracting.

AFSC will participate in Congressionally sponsored Federal Procurement Conferences and distribute the AFCMD booklet "Selling to Air Force Prime Contractors."

For any new major weapon program, AFSC will discuss with the prime contractor his initiating a special small and small disadvantaged business subcontract outreach effort such as that initiated on the B1B aircraft program.

AFSC will continue to pursue with prime contractors the list of key elements which are particularly innovative and effective in helping assure outstanding small and small disadvantaged business subcontract efforts. This is the list forwarded to major Air Force prime contractors by the Secretary of the Air Force.

We will hold open houses at our field procuring activities on a periodic basis inviting interested small and small disadvantaged businesses to attend to learn of both prime and subcontract opportunities.

8. How is Section 211 being implemented by the Air Force Systems Command?

The Air Force Systems Command (AFSC) implements Section 211 by complying with the provisions of Defense Acquisition Regulation 1-707. Following is a brief summary of key elements of that implementation:

AFSC procuring contracting officers (PCOs) are responsible for (1) assuring that a subcontracting plan is submitted when required, (2) determining the adequacy of the subcontracting plan, (3) considering the contractor's past compliance with subcontracting plans as a factor in determining a contractor's responsibility, (4) determining any fee payable when an incentive is used in conjunction with a subcontracting plan, (5) notifying the Small Business Administration's (SBA) resident Procurement Center Representative (PCR) of and providing him an opportunity to review solicitations for contracts expected to require a subcontract plan, (6) notifying the resident PCR of and providing him an opportunity to review all proposed subcontract plans under negotiated contracts, including modifications, prior to their acceptance by the PCO, (7) providing a copy of the DD 350 (Individual Procurement Action Report) to the Assistant Regional Administrator for Regional Programs in the SBA region where principal contract performance is to take place and a copy of the plan to the resident PCR, (8) negotiating appropriate revisions to previously approved subcontracting percentage and dollar goals if subsequent modifications will have a major impact on the original planned volume or type of contracting effort, and (9) documenting noncompliance in writing upon completion

The AFSC Executive for Small and Disadvantaged Business Utilization and the Air Force Director of Small and Disadvantaged Business Utilization will periodically visit each prime contractor for which the Air Force has contract administration cognizance meeting with the company chief executive officer and emphasizing small and small disadvantaged business subcontracting.

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AFSC ACOs are responsible for (1) monitoring contractor compliance with the subcontract plan and apprising the PCO (PCOs receive a copy of the SF 294 each six months showing subcontract performance on an individual contract; any noncompliance is highlighted by the ACO), (2) giving immediate notice to the PCO if, during performance, the contractor is failing to meet his subcontracting plan commitments, (3) assisting in the evaluation of subcontract plans and providing information to the PCO for help in negotiating an acceptable plan, (4) reviewing, evaluating, and approving master subcontracting plans, (5) documenting a contractor's performance and compliance with subcontract plans under previous contracts, (6) providing to the PCO information on the extent to which the contractor's goals are being met, (7) providing information to the PCO on whether the contractor is requiring its subcontractors to adopt similar subcontract plans, and (8) providing information to the PCO upon contract completion if the contractor did not comply in good faith with the subcontract plan so that the PCO can document the noncompliance in writing.

Following are some special initiatives undertaken by AFSC to enhance implementation of Section 211:

- Shortly after the implementation date for the requirements of Section 211, the AFSC Executive for Small and Disadvantaged Business Utilization worked with the Air Force Director of Small and Disadvantaged Business in developing and testing "Air Force Small and Small Disadvantaged Business Subcontracting Plan Evaluation Guidelines." The purpose of the Guidelines was to provide guidance to contracting officers on what type of assistance should be requested, what to look for, and what to do in meeting his or her responsibilities concerning the submission and evaluation of subcontracting plans. The tested guidelines were revised and distributed on 19 January 1981 to all Air Force acquisition activities for their use. The Department of Defense made some modifications to the Air Force Guidelines and they were distributed as DOD Subcontracting Plan Evaluation Guidelines on 25 August 1983. AFSC is certainly proud to have contributed to a pioneering effort in this area.

- Several AFSC prime contractors were permitted to develop a division or plant master subcontracting plan on a test basis to reduce costs and save time. They were permitted to include in the master plan all the subcontract plan elements required by Section 211 with the exception of the goals. Contracting officers were permitted to incorporate the master plan by reference in contracts but were required to add the goals negotiated. This was very well received by industry and our contracting officers. The Air Force suggested this for DOD-wide application, and it is now DOD policy.

- A list of key elements was developed which seemed to be particularly innovative and effective in helping assure outstanding small and disadvantaged business sucontract efforts and was forwarded by Secretary Orr to major Air Force prime contractors. Details on this were described in the special emphasis effort cited in the answer to question 2 above.

- The AFSC Air Force Contract Management Division developed a booklet "Selling to Air Force Prime Contractors". This booklet was described in the answer to question 6 above.

- The AFSC Air Force Contract Management Division has a Small and Disadvantaged Business Utilization Specialist who makes periodic visits to each of the prime contractors under AFSC contract administration cognizance as described in the answer to question 2 above.

9. What are the Pros and Cons?

AFSC believes that the current contract-by-contract subcontract plan requirements of Section 211 are costly and time-consuming both for the contractors and the Air Force. We believe that there is a better way to accomplish the same objective while reducing costs and time. It is suggested that consideration be given to amending P.L. 95-507 to permit subcontract plans to be negotiated on a divisional or plant basis the way current master plans are negotiated. Master plans would be changed to permit negotiation of division or plant-wide goals. This would comply with all of the subcontract plan element requirements of Section 211. The master plan containing goals could be incorporated by reference in each contract with a contractual clause requiring support for the master plan. If a contractor does not have an acceptable negotiated plan or if he is found not to be complying with the plan in good faith, he would not be eligible for a contract award. There are several significant advantages to this approach. It, of course, would save costs at a time when the Air Force is making every effort to cut costs. AFSC, for example, has a "Project Cost." It would also save time of contractor personnel and Air Force personnel in negotiating acceptable subcontract plans. Moreover, it would be more encompassing than the current contract-by-contract subcontract plan requirement. It would cover all contractual efforts of a particular plant or division. Current contract-by-contract subcontract plan requirements only apply to contracts and modifications over $500,000. There are many efforts less than $500,000, which do not get "goaled." The ACO at an individual division or plant could negotiate the proposed division or plant master plan goals. He is very familiar with the contractor's capabilities and subcontract efforts and would be unusually well qualified to negotiate meaningful goals. Finally, it would be easier for contract administration personnel to use leverage with contractor top management for increased small and small disadvantaged business subcontracting when there would be one small and one small disadvantaged business goal for a division or plant.

We believe that Section 211 has given impetus to small and small disadvantaged business subcontracting. We believe, however, the change suggested above would give even greater impetus to small and small disadvantaged business subcontracting.

10. How are goals set and monitored?

Contractors submit a proposed small and small disadvantaged business subcontract plan. The contracting officer is to follow the Guidelines cited in paragraph 8, above. In summary, the PCO must negotiate goals which in his or her judgment will provide the maximum practicable opportunity for small and small disadvantaged business concerns to participate in the performance of the contract. The PCO generally requests comments of the contract administration Small and Disadvantaged Business Utilization Specialist on the proposed plan. He or she also requests comments of the contracting activity Small and Disadvantaged Business Utilization Specialist. Finally, the Small Business Administration representative is given an opportunity to review and comment on the plan. A review is made by the PCO of the contractor's substantiation for the proposed goals, i.e., total dollar volume of planned subcontracting, expected awards to small firms, expected awards to small disadvantaged firms, a description of the principal areas to be subcontracted, and identification of those areas where it is planned to use small and small disadvantaged business subcontractors.

Progress toward goal achievement is monitored by the Small and Disadvantaged Business Utilization Specialist in the contract administration activity. That individual receives an SF 294 each six months from the contractor which reflects subcontracting experience. This is analyzed to determine if satisfactory progress is being made. In addition, that individual, on a continuing basis, is responsible for assuring contractor compliance with all subcontract plan requirements.

11. What kinds of problems do we have in implementing the program?

Carrying out the subcontract plan requirements on a contract-by-contract basis is time-consuming and costly as indicated in paragraph 9, above. If a plan is not complete or proposed goals are not properly documented, the procuring contracting officer must have considerable interface with the contractor on such issues. It takes time to obtain comments from the contract administration and contracting activity Small and Disadvantaged Business Utilization Specialists, as well as from the Small Business Administration representative. Should any of the comments received from any of these individuals be negative or late, this can cause considerable additional interface. The major problem is administrative time involved which would be substantially alleviated if division or plant-wide plans are permitted as suggested in paragraph 9, above.

12. What kinds of problems are the prime contractors having in complying with the law?

Prime contractors are very concerned with the contract-by-contract subcontract plan requirement. They very much support division or plant-wide plans. Their concerns are similar to ours cited in paragraph 9, above. Contract-by-contract plans are time-consuming and costly. In addition to time involved in negotiating acceptable plans, detailed records must be kept on compliance with such plans. The contract-by-contract plan requirement is the primary concern expressed by contractors in complying with the law.

13. What is the relationship between AFSC and Small Business Administration in terms of the subcontracting program?

AFSC notifies the Small Business Administration's resident Procurement Center Representative of and provides him an opportunity to review solicitations expected to result in a subcontract plan requirement. The resident Procurement Center Representative is notified of and provided an opportunity to review all proposed plans under negotiated contracts prior to their acceptance by the PCO. The contractor's proposal and supporting documentation are made available to the resident Procurement Center Representative upon request. Upon award of a contract or other contractual action containing a subcontracting plan, a copy of the DD Form 350 (Individual Procurement Action Report) is provided to the Assistant Regional Administrator for Regional Programs in the Small Business Administration region where the principal contract performance is to take place. The Small Business Administration, on an annual basis, issues a report on subcontract plans that have been found acceptable by government activities and about which the Small Business Administration may have reservations about some aspect of the plans.

The relationship with the Small Business Administration is generally good. The most frequent concern is their being timely with comments on subcontract plans.

Questions and Answers

1. **Question:** How many contracts were awarded without subcontract plans in FY 81, FY 82, and FY 83? Translate the numbers into dollars.

Answer:

	FY 81	FY 82	FY 83
Number of Contracts	2,054	2,385	1,750
Dollars	$305,303,725	$401,200,715	$464,388,599

Note: Almost all these contracts were less than $500,000 or contracts with small business firms where no subcontract plan is required.

2. **Question:** What percentage of contracts in excess of $500,000 were awarded without subcontract plans because no subcontract opportunities existed for FY 81, FY 82, and FY 83?

Answer:

	FY 81	FY 82	FY 83
Percentage of Contracts	.13%	.15%	.26%

Note: The percentage is very low (substantially less than 1%) because most contracts do result in subcontract opportunities.

3. **Question:** For FY 81, FY 82, and FY 83, provide the names of small businesses and small disadvantaged businesses that did business with AFSC and the dollar amount of such business.

Answer: Attachment 1 is an alphabetical listing for FY 81, FY 82, and FY 83 of small businesses that did business with AFSC and the dollar amount of such business. Attachment 2 is an alphabetical listing for FY 81, FY 82, and FY 83 of small disadvantaged businesses that did business with AFSC and the dollar amount of such business.

4. **Question:** What percentage of your contracts actually contain incentive clauses and how many of the contractors exceeded their goals and received incentive fees.

Answer: We have 52 contracts with incentive clauses for small and small disadvantaged business subcontracting. This is less than 1%. Only one contract has thus far resulted in incentive fees being paid.

5. Question: On the F-15 contract, the small business subcontract goal is $198M (11%). Why were we only able to establish a small disadvantaged business subcontract goal of $12M (.7%)?

Answer: The contracting officer concluded that the small disadvantaged business goal of $12M (.7%) was appropriate based on the contractor's indication of the mix of efforts to be subcontracted and the availability of small disadvantaged business firms. Small businesses are involved in subcontract efforts such as providing windshield transparencies and certain avionics equipment. Small disadvantaged businesses are involved in areas such as designed machine parts assemblies, purchased parts, and some raw materials. The contracting officer did obtain and consider comments from the administrative contracting officer, the Small Business Administration representative, and the procuring activity Small & Disadvantaged Business Utilization Specialist. It should be noted that McDonnel Douglas does not allocate overhead and indirect costs to individual subcontract plan goals. If this were done, the small disadvantaged business goal would be higher.

2 Atch
1. Alphabetical Listing for FY 81, FY 82, & FY 83 of Small Businesses
2. Alphabetical Listing for FY 81, FY 82, & FY 83 of Small Disadvantaged Businesses

ATTACHMENT 1
(Fiscal Year 1983)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL BUS/,R(45,$$$$,$$$,$$9.99
---
CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END REPORT
---
:GENERATE
 -473- NO ERRORS HAVE OCCURRED -
---
OSWALT WH C114 EQ J AND C202 EQ 83:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200
                                                      $33,221,778.00
 A B A ELECTROMECHANICAL SYS INC                         $745,000.00
 A ONE CARTING SERVICE INC                               $128,055.00
 A R F PRODUCTS INC                                      $188,379.00
 ABBOTT MECHANICAL CONTRACTORS INC                       $163,025.00
 ABIOMED                                                  $74,766.00
 ACCUMETRICS CORP                                         $80,000.00
 ACME MECHANICAL CONTRACTORS INC                          $28,750.00
 ACROCAMATICS                                            $139,650.00
 ACTION MOBILE OFFICE RENTALS                             $46,575.00


 ACUREX CORP                                           $3,229,210.00
 ADAN TWO LTD                                          $1,023,676.00
 ADAPTIVE OPTICS ASSOCIATES INC                          $641,576.00
 ADAPTIVE SENSORS INC                                     $60,375.00
 ADVANCED INFORMATION & DECN SYS                       $1,011,612.00
 ADVANCED MECHANICAL TECHNOLOGY INC                       $49,896.00
 ADVANCED RESEARCH & APPL CORP                           $299,842.00
 ADVANCED RESEARCH RESOURCES ORGAN                        $40,000.00
 ADVANCED TECHNOLOGY & RESEARCH INC                       $69,979.00
 AERO CHEM RESEARCH LABORATORIES                          $80,384.00
 AERO UNION CORPORATION                                  $129,004.00
 AERODYNE RESEARCH INC                                 $1,354,810.00
 AERONAUTICAL RESEARCH ASSOCIATES                        $211,119.00
 AIR CONDITIONING ASSOCIATES INC                         $154,400.00
 AIRBORNE PRODUCT SUPPORT, INC.                          $179,964.00
 ALEMAN FOOD SERVICE INC                                 $521,959.00
 ALLEN H V CO INC                                        $123,743.00
 ALLIANCE ELECTRONICS                                     $80,698.00
 ALPHA SOUTHWEST INC                                     $177,000.00
 ALPHATECH INC                                           $877,892.00
 AMCO TOOL & DIE CO., INC.                               $173,501.00
 AMERICAN DEVELOPMENT CORP                            $22,100,810.00


 AMERICAN NUCLEONICS CORP                                $114,669.00
 AMEX SYSTEMS INC                                      $3,258,357.00
 AMHERST SYSTEMS INC                                     $640,000.00
 ANALYSIS & COMPUTER SYSTEMS INC                       $4,201,131.00
 ANALYTIC DECISIONS INC                                  $114,000.00
 ANALYTIC SCIENCES CORP                                $8,654,824.00
 ANALYTICAL METHODS INC                                  $281,600.00
 ANALYTICAL SCIENCES CORP                                $308,204.00
 ANALYTI:"'. SYSTEMS ENGR CORP                        $11,271,798.00
 ANALYTICS INC                                           $347,790.00
 ANALYTYX ELECTRONICS SYSTEMS INC                        $205,173.00
 ANAMET LABORATORIES INC                               $1,446,092.00
 ANDREWS RAILROAD CONTRACTING CO                          $62,080.00
 ANDRULIS RESEARCH CORP                                   $59,891.00
 ANTELOPE BUILDING MAINTENANCE                           $359,910.00
 ANTHROPOLOGY RESEARCH PROJECT INC                       $152,333.00
 APPLICATION RESEARCH CORP                             $2,497,864.00
 APPLICON INC                                            $547,251.00
 APPLIED CONCEPTS CORP                                   $293,419.00
 APPLIED RESEARCH ASSOCIATES                             $150,100.00
 APPLIED RESEARCH INC                                  $6,164,117.00
 APPLIED SCIENCE ASSOCIATES INC                          $917,570.00
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APPLIED TECHNOLOGY ASSOCIATES INC	$2,729,836.00
ARCATA ASSOCIATES	$553,775.00
ARCON CORP	$545,238.00
ARGO SYSTEMS INC	$728,211.00
ARINC RESEARCH CORP	$3,244,777.00
ARMAMENT SYSTEMS INC	$468,860.00
ARNOLD AIR CONDITIONING	$528,219.00
ARNOLD BROS CONSTRUCTION INC	$27,056.00
ARROW JANITORIAL SERVICE	$667,459.00
ARTISAN INC	$36,990.00
ARTS JANITORIAL	$30,966.00
ASPHALT CONSTRUCTION CO INC	$293,622.00
ASSESSMENT SYSTEMS CORP	$85,381.00
ASSOCIATED TECHNOLOGY CONSULTANTS	$521,216.00
ASTRO LINK INC	$159,800.00
ASTRO RESEARCH CORP	$49,888.00
ATLANTA CONSTRUCTION & MAINTENANCE	$76,150.00
ATLANTIC PERSONNEL SERVICES INC	$248,205.00
ATMOSPHERIC & ENVIRONMNTL RESCH IN	$383,418.00
AUSTIN RESEARCH ASSOCIATES INC	$189,457.00
AUSTRON INC	$38,960.00
AUTOMATED SERVICES GROUP INC	$1,964,134.00

AUTOMETRIC CORP	$195,771.00
AVEL CORP	$1,242,090.00
AVIATION ENTERPRISES INC	$212,700.00
B & W SERVICE INDUSTRIES INC	$921,000.00
BAMMAC INC	$314,705.00
BARTHOLOMEW HARLAND & ASSOCIATES	$128,300.00
BASE TEN SYSTEMS INC	$149,675.00
BAY CITY MARINE INC	$500,000.00
BECKER JOHN A CO	$170,913.00
BEDFORD RESEARCH ASSOCIATES INC	$1,349,092.00
BEERS ASSOCIATES	$140,000.00
BEHAVIORAL SCIENCES CORP	$307,766.00
BEHE & UMHOLTZ ELECTRICAL CONTR	$100,917.00
BEOWULF CONNECTOR & CABLE CORP	$46,100.00
BETAC CORP	$1,983,564.00
BFANM CORP	$75,660.00
BIONETICS CORP	$2,415,488.00
BIOSPHERICS INC	$690,688.00
BIRD E F ENTERPRISES INC	$328,851.00
BLAINE GROUP THE	$97,800.00
BLAIR FRANK GENERAL CONTRACTOR INC	$548,085.00
BOLEK FRANK & ASSOCIATES	$40,000.00

BOMUR ELECTRIC CO INC	$170,414.00
BOURBEAU HENRY E INC	$121,336.00
BOYETTS PORTABLE CHEMICAL TOILET	$32,168.00
BROWN LANDSCAPE SERVICES CO	$43,255.00
BUCKNER CONSTRUCTION CO	$51,930.00
BURNETTE ENGINEERING	$57,492.00
BURTEK INC	$511,455.00
BYERS COMMUNICATIONS CORP	$59,740.00
C & B EXTERMINATING	$96,805.00
C P T CORP	$773,966.00
C V D INC	$143,942.00
CAAP CO INC	$100,000.00
CABLE EQUITIES INC	$27,888.00
CAINS AIR CONDITION & REFRIG INC	$34,500.00
CALIFORNIA RESEARCH & TECHNOLOGY	$778,620.00
CAMAPS INC	$169,136.00
CAMPBELL O V & SONS INDUSTRIES INC	$878,370.00
CANTELOU HARRIS & ASSOCIATES	$90,623.00
CANTWELL CONSTRUCTION CO INC	$600,059.00
CANYON RESEARCH GROUP INC	$321,081.00
CARCO ELECTRONICS	$157,640.00
CARTWRIGHT ENGINEERING INC	$992,036.00

CATAMOUNT CONSTRUCTION INC	$499,700.00
CENTEC CONSULTANTS INC	$245,722.00
CENTENNIAL SYSTEMS INC	$4,166,885.00
CHALCO ENGINEERING CORP	$134,404.00
CHANCE HAULING & PAVING CO	$63,330.00
CHEMICAL DYNAMICS CORP	$220,000.00
CHER CON	$215,565.00
CHROMATICS INC	$323,376.00
CLEANCO CO	$782,698.00
COASTAL MATERIALS INC	$123,979.00
COCOA ELECTRIC CO INC	$300,000.00
COLONEY WAYNE H INC	$1,272,349.00
COLUMBIAN ROPE CO	$35,000.00
COM SER CO	$65,247.00
COMARCO INC	$124,115.00
COMMUNITRONICS CORP	$67,210.00
COMPLERE INC	$63,000.00
COMPTEK RESEARCH INC	$437,237.00
COMPUCOM INC	$104,103.00
COMPUTATIONAL MACHANICS CONSULTAN*	$105,950.00
COMPUTER CORP OF AMERICA	$690,000.00
COMPUTER ENGINEERING ASSOC INC	$363,134.00

COMPUTER PRODUCTS INC	$30,800.00
COMPUTER SCIENCE & APPLICATIONS	$976,274.00
COMPUTER SOFTWARE ANALYSIS INC	$1,500,136.00
COMPUTER TECHNOLOGY ASSOCIATES	$879,778.00
COMTECH LABORATORIES INC	$84,000.00
CONAX CORP.	$203,098.00
CONDOR SYSTEMS INC	$34,800.00
CONERLY CONSTRUCTION CO INC	$71,650.00
CONTROL DYNAMICS	$180,000.00
CONTROL SYSTEMS CO	$46,711.00
CONWELL K L ELECTRIC CO	$363,786.00
COOK CONSTRUCTION CO	$125,789.00
CORVUS SYSTEMS INC	$1,229,430.00
COX CONSTRUCTION CO INC	$114,871.00
CREW SYSTEMS CONSULTANTS	$48,500.00
CROWN LAUNDRY & DRY CLEANERS	$96,704.00
D A W SERVICE	$204,000.00
DANIELS MFG CORP	$145,222.00
DATA ENGINEERING CORP	$1,899,438.00
DATA GATE	$79,812.00
DATACOM INC	$1,158,295.00
DATAMART INC	$33,744.00

DATAMETRICS CORP	$3,250,000.00
DATATEC INC OF FORT WALTON BEACH	$350,172.00
DATUM INC	$48,900.00
DAVENPORT PACKING CO INC	$50,676.00
DAYRON CORP	$3,375,408.00
DEBRA FRED & CO	$7,518,669.00
DECISION SCIENCE APPICATIONS INC	$589,485.00
DEL JEN INC	$1,725,460.00
DELGADO & SONS INC	$1,071,571.00
DELTA ASSOCIATES INC	$2,250,000.00
DELTA ELECTRONICS INC	$105,325.00
DENRO LABORATORIES INC	$919,000.00
DESERT GREEN CHEMICAL CO INC	$44,370.00
DEVELOPMENTAL SCIENCES INC	$93,000.00
DIGICOMP RESEARCH CORP	$707,009.00
DIGITAL PROGRAMMING SERVICES INC	$159,949.00
DIGITAL TECHNOLOGY INC	$76,198.00
DIKEWOOD INDUSTRIES INC	$5,977,014.00
DOTY ASSOCIATES	$237,530.00
DRIVEWAYS INC	$28,761.00
DUNN HOMER L DECORATING	$456,679.00
DUNNING MARK INDUSTRIES INC	$63,691.00

DYNA EAST CORP	$477,989.00
DYNAMIC CONTROLS CORP	$349,997.00
DYNAMICS RESEARCH CORP	$1,938,000.00
DYNASTAT CORP	$94,094.00
DYNETICS INC	$1,198,466.00
E I C INC	$200,000.00
EAST COAST CONTRACTING INC	$120,555.00
EASTERN CONSTRUCTION CO INC	$720,140.00
ECODYNAMICS REASEARCH ASSOCIATES	$49,972.00
EDUCATIONAL COMPUTER CORP	$175,906.00
EDWARD M. KAITZ & ASSOCIATES, INC.	$52,890.00
EFRATOM SYSTEMS CORP	$61,569.00
EHRENKRANTZ GROUP	$36,151.00
EIKONIX CORP	$172,505.00
ELDER EQUIPMENT LEASING INC	$34,663.00
ELECTRO MAGNETIC PROCESSES INC	$311,486.00
ELECTRO SYSTEMS ENGINEERING	$31,755.00
ELECTROSPACE SYSTEMS INC	$1,411,000.00
ELK RIVER PUBLIC UTILITY DISTRICT	$3,384,992.00
ENERGY - MINERALS RESEARCH CO	$114,000.00
ENERGY CONVERSION DEVICES INC	$37,580.00
ENERGY SYSTEMS MAINTENANCE INC	$32,559.00

ENGINEERED AIR SYSTEMS, INC.	$3,150,008.00
ENGINEERING SCIENCE INC	$177,412.00
ENSCO INC	$80,000.00
ENTERPRISE EQUIPMENT CO INC	$169,651.00
ENVIRONMENTAL ASEPTIC SVS ADMN	$139,813.00
ERTEC WESTERN INC	$5,349,869.00
F & P CONSTRUCTION CO	$43,509.00
F R O LANDSCAPING	$67,500.00
F X C CORP	$183,192.00
FALLS JANITORIAL SERVICE INC	$140,096.00
FARNSWORTH CANNON INC	$164,483.00
FEDERAL CONTRACTING CO	$318,000.00
FERRIELL HOWARD & SONS INC	$109,400.00
FIBER MATERIALS INC	$402,344.00
FIRE GUARD INC	$40,715.00
FIRE RESEARCH CORP	$200,000.00
FLECKINGER REFUSE INC	$165,642.00
FLIGHT DYNAMICS RESEARCH CORP	$184,526.00
FLINCHUM CONSTRUCTION CO INC	$2,727,401.00
FLORIDA GENERAL CONTRACTORS INC	$437,468.00
FLORIDA TRANSFORMER CO	$34,118.00
FLOW RESEARCH INC	$454,747.00

FLOW TECHNOLOGY INC	$84,940.00
FLUOROCHEM INC	$92,550.00
FORT WALTON COMMUNICATIONS INC	$104,123.00
FOSTER MILLER ASSOCIATES INC	$69,820.00
FRANKLIN ELECTRIC CO INC	$38,895.00
FREQUENCY ELECTRONICS INC	$49,756.00
GAERTNER RESEARCH INC	$88,575.00
GARCIA TREE & LAWN INC	$104,260.00
GARTNER HARF CO	$105,570.00
GENERAL ACOUSTICS CORP	$166,076.00
GENERAL APPLIED SCIENCE LABS INC	$40,000.00
GENERAL CONTRACTORS	$396,794.00
GENERAL IMAGE ENGINEERING CORP	$45,000.00
GENERAL POWER CORPORATION	$149,340.00
GENISCO TECHNOLOGY CORP	$215,350.00
GENTEX CORP	$4,147,666.00
GEODYNAMICS CORP	$1,351,188.00
GEOSPACE SYSTEMS CORP	$50,000.00
GEOTEL INC	$34,300.00
GIBES HUGH & DONALD ARCHITECTS ATA	$149,601.00
GLOBE CORP	$123,118.00
GOLDERN BEAR ARBORISTS INC	$0.00
GOVERNMENT CONTRACTORS INC	$1,775,997.00
GRANADA GREASE CO	$25,500.00
GULF ELECTRIC CONSTRUCTION CO INC	$51,275.00
GYER & SALIEA INC	$137,000.00
H H AEROSPACE DESIGN CO INC	$579,691.00
H S Q TECHNOLOGY INC	$145,310.00
H S S INC	$356,895.00
HALCYON INC	$42,831.00
HALE J R CONTRACTING CO INC	$336,194.00
HANSON R A CO INC	$13,294,548.00
HARDIGG INDUSTRIES INC	$62,592.00
HARMON SEPTIC TANK INC	$25,661.00
HARTEC ENTERPRISES INC	$310,800.00
HARTRAMPF POWELL & ASSOCIATES	$223,507.00
HELAVA ASSOCIATES INC	$100,378.00
HELIX TECHNOLOGY CORP	$40,000.00
HENDERSON JACK B CONSTRUCTION CO	$27,865.00
HERNDON SCIENCE & SOFTWARE	$82,199.00
HIGGINS AULD - ASSOCIATES	$99,184.00
HIGH VOLTAGE COMPONENTS	$77,187.00
HINKLEY J R & ASSOCIATES	$1,266,429.00
HOLDER C V INC	$66,447.00

HOLIDAY INNS INC	$57,875.00
HOLLOWAY CORP	$477,175.00
HOMESTEAD TOOL & MACHINE INC	$1,084,474.00
HOPE INDUSTRIES INC	$37,336.00
HORIZONS TECHNOLOGY INC	$333,778.00
HORLICK WILLIAM I CO INC	$40,600.00
HOUSEHOLD DATA SERVICES INC	$43,896.00
HOUSEKEEPERS MAINTENANCE SERVICE	$1,052,670.00
HOWARD UNIFORM CO.	$0.00
HOWELL CONSTRUCTION & ENGR CO INC	$81,500.00
HYCOR INC	$910,497.00
I L C DOVER	$1,110,000.00
I R T CORP	$745,225.00
IAP RESEARCH, INC.	$364,843.00
ILLINOIS INSTITUTE TECHNOLOGY	$100,000.00
INCO INC	$8,933,867.00
INFORMATION DEV & APPLICATIONS	$79,350.00
INFORMATION SYSTEMS & NETWORKS CO	$2,290,953.00
INFORMATION SYSTEMS NETWORKS CORP	$691,675.00
INPUT OUTPUT COMPUTER SERVICES INC	$879,703.00
INSTRUMENTATION MARKETING CORP	$106,524.00
INSTRUMENTS FOR INDUSTRY INC	$35,558.00
INTEGRATED CIRCUIT ENGR CORP	$50,000.00
INTEGRATED SYSTEMS INC	$539,186.00
INTEQ INC	$334,300.00
INTER CON SECURITY SYSTEMS	$2,580,974.00
INTERACTIVE SYSTEMS INC	$268,174.00
INTERFACE ENGINEERING INC	$72,492.00
INTERIOR PLANNING ASSOCIATES	$36,564.00
INTERMETRICS INC	$7,187,406.00
IRVINE SENSORS CORP	$1,500,276.00
J & S ELECTRIC CO INC	$593,674.00
J B INDUSTRIES	$833,145.00
J W M CORP	$348,828.00
JAYCOR	$249,040.00
JOBEAR INC	$352,507.00
JONES PLUMBING & HEATING CO	$387,953.00
K & S ELECTRIC INC	$128,982.00
KANNER LEO ASSOCIATES	$185,100.00
KARAGZIAN & CASE STRUCTURAL ENGNRS	$695,882.00
KENNEDY FRANK A INC	$30,635.00
KENT W W	$59,679.00
KEO CONSULTANTS	$110,000.00
KETRON INC	$31,073.00

KEUFFEL & ESSER CO	$80,100.00
KINETIC BUILDERS INC	$383,672.00
KINTON INC	$151,662.00
KIRCHDORFER SKIP INC	$565,130.00
KOZIN BOGDANOFF & ASSOC INC	$51,137.00
KRETECH INC	$65,000.00
KTECH CORP	$776,873.00
L GARDE INC	$155,987.00
L N R COMMUNICATIONS INC	$487,498.00
LANCER INDUSTRIES INC	$186,318.00
LANSON INDUSTRIES INC	$2,502,000.00
LAS RUEDAS CONSTRUCTION CO INC	$52,000.00
LATSEC INC	$337,216.00
LE RICH CONSTRUCTORS INC	$226,995.00
LEIDENFROST HOROWITZ & ASSOCIATES	$64,725.00
LIFE SUPPORT SYSTEMS INC	$1,083,991.00
LIGHTNING LOCATION & PROTECTION IN	$86,040.00
LINDBERG & ASSOCIATES	$70,000.00
LIPSNER SMITH CORP	$37,900.00
LOGICON INC	$21,422,266.00
LOGUE W J CONSTRUCTION INC	$118,386.00
LOM CORP	$40,338.00
LOMBARD CORP	$152,628.00
LONG & WATERS ASSOCIATES	$35,307.00
LOONEY L W & SON MACHINE SHOP MFG	$2,334,856.00
LORD & SON	$2,107,649.00
LOS ALAMOS TECHNICAL ASSOCIATES	$305,800.00
M P PAINTING CONTRACTOR	$62,500.00
M T L SYSTEMS INC	$110,000.00
MAC AULAY BROWN INC	$1,722,140.00
MANAGEMENT CONSULTING & RESEARCH	$74,638.00
MANLABS INC	$198,085.00
MANTECH INTERNATIONAL CORP	$1,205,779.00
MARCON INDUSTRIES INC	$554,247.00
MARK RESOURCES INC	$877,000.00
MARKO MATERIALS, INC.	$64,906.00
MATERIALS SCIENCES CORP	$47,000.00
MATHEMATICAL GEOSCIENCES INC	$33,686.00
MATHEMATICAL SCIENCE NORTHWEST INC	$110,799.00
MAXIMA CORP	$796,785.00
MAXWELL LABORATORIES INC	$2,294,771.00
MCBAIN INSTRUMENT CO	$75,630.00
MCDONALD PLUMBING CO	$39,666.00
MCGONICAL BRUCE C & CO	$70,050.00

MCKINNIE W T GENERAL CONTRACTORS	$39,963.00
MEASUREMENT CONCEPT CORP	$1,294,752.00
MEGAPULSE INC	$420,000.00
MERCURY BLDG MAIN SAV WAY DISPOSAL	$122,496.00
MERCURY WIRE PRODUCTS INC	$163,744.00
METCUT RESEARCH ASSOCIATES INC	$531,000.00
METRIC SYSTEMS CORP	$3,201,586.00
METRO BOSTON CONTRACTING CO INC	$2,188,507.00
MICOM SYSTEMS INC	$100,411.00
MICRO BASE CORPORATION	$28,414.00
MICROELECTRONICS ENGINEERING CORP	$410,856.00
MID FLORIDA BOILER CO INC	$290,000.00
MIDWEST INDUSTRIAL PAINTING OF FLA	$49,762.00
MILITARY BASE MANAGEMENT INC	$95,399.00
MILLWRIGHT GENERAL CONTRACTORS INC	$355,923.00
MIRAX CHEMICAL PRODUCTS CORP	$154,322.00
MISSION RESEARCH CORP	$2,024,955.00
MITCHELL CONSTRUCTION CO	$845,790.00CR
MOAULIFFE MECHNICAL INC	$100,823.00
MULTI SERVICE MAINTENANCE CORP	$35,540.00
N W F CONTRACTORS INC	$1,659,389.00
NANOFAST INC	$199,703.00

NATIONAL ELEVATOR CORP	$61,866.00
NATIONAL MARINE INTERIORS	$29,100.00
NATIONAL MICROSALES CORP	$39,840.00
NEFF INSTRUMENT CORP	$73,961.00
NERO & ASSOCIATES	$8,077,467.00
NEW A E JR INC	$83,874.00
NEW BEDFORD FLOOR COVERING CO	$240,333.00
NICHOLS RESEARCH CORP	$172,917.00
NIELSEN ENGINEERING & RESEARCH CO	$550,633.00
NORMAN ENGINEERING CO	$516,396.00
NORRIS AIR CONDITIONING CO	$330,358.00
NORTHEAST CONSTRUCTION CO	$102,983.00
NORTHERN VIRGINIA SERVICE CORP	$904,307.00
NUCLEAR METALS INC	$538,530.00
O A O CORP	$6,774,788.00
OATES CONSTRUCTION & OATES O L JV	$430,002.00
OBERLIN JAMES A	$1,428,300.00
OKALOOSA ASPHALT ENTERPRISES INC	$598,949.00
OKALOOSA CO GAS DISTRICT	$3,634,968.00
OMNITEK INC	$189,471.00
OPHIR CORP	$112,156.00
OPTI METRICS INC	$501,448.00

OPTICAL SCIENCE CONSULTANTS	$938,001.00
OPTIMIZATION SOFTWARE INC	$75,000.00
OPTRA INC	$96,224.00
ORLANDO TECHNOLOGY INC	$1,344,231.00
ORMOND INC	$120,775.00
OVERHEAD DOOR CO OF ALBUQUERQUE	$49,347.00
OWEN GENERAL CONTRACTORS INC	$144,613.00
P A R TECHNOLOGY CORP	$395,407.00
P D A ENGINEERING INC	$880,030.00
PACIFIC APPLIED RESEARCH CORP	$84,998.00
PACIFIC SIERRA RESEARCH CORP	$480,278.00
PALISADES GEOPHYSICAL INSTITUTE	$445,049.00
PANAMETRICS INC	$150,000.00
PAR TECHNOLOGY CORP	$3,596,965.00
PARADYNAMICS INC	$76,614.00
PARKE MATHEMATICAL LABORATORIES	$126,357.00
PARKERS MECHANICAL CONTRACTOR INC	$62,562.00
PATTERN ANALYSIS & RECOGNITION CO	$4,380,695.00
PEOPLES CONSTRUCTION CO INC	$36,401.00CR
PERCEPTRONICS INC	$81,336.00
PHILLIPS ELECTRIC CO	$165,844.00
PHIYSICS APPLICATIONS INC	$134,506.00

PHOENIX CHEMICAL LABORATORY INC	$43,000.00
PHOENIX E INC	$90,110.00
PHOTO SONICS INC	$365,588.00
PHOTOFABRICATION TECHNOLOGY, INC.	$47,027.00
PHOTOMETRICS INC	$329,326.00
PHOTON RESEARCH ASSOCIATES	$831,358.00
PHOTONIC SYSTEMS INC	$62,980.00
PHYSICAL ACOUSTICS CORPORATION	$49,125.00
PHYSICAL DYNAMICS INC	$28,700.00
PHYSICAL SCIENCES CORP	$1,029,614.00
PLASMA KINETICS INC	$46,523.00
PLASTICS RESEARCH CORP	$160,767.00
POWELL SANITATION SERVICE	$255,024.00
PREFECT INC	$46,436.00
PRESTON SCIENTIFIC INC	$79,033.00
PRINCETON COMBUSTION RE LAB INC	$79,610.00
PRITSKER & ASSOCIATES INC	$1,555,653.00
PROCESSING RESEARCH INC	$219,494.00
PRODUCTIVITY INTERNATIONAL INC	$38,880.00
PROFESSIONAL PRODUCTS CO	$26,731.00
PROGRAM CONTROL CORP	$2,078,992.00
PROGRESSIVE CONTROLLED ENVIORNMENT	$38,684.00

PROPRIETARY SOFTWARE SYSTEMS INC	$231,340.00
PROSPECTIVE COMPUTER ANALYSTS INC	$790,999.00
PSYCHROMETRICS INC	$50,000.00
QUALITY INN SHALAKO	$25,914.00
QUANTEX CORP	$37,100.00
QUEST RESEARCH CORP	$3,384,603.00
QUESTRON CORP	$472,549.00
QUINTRON SYSTEMS INC	$3,939,854.00
R & D ASSOCIATES	$11,700,725.00
RADANT SYSTEMS INC	$38,000.00
RADEMAKER CORP	$61,658.00
RADEX CORP	$114,000.00
RADIATION RESEARCH ASSOCIATES INC	$35,000.00
REACH ALL MFG & ENGINEERING CO	$332,732.00
REFLECTONE INC	$6,843,432.00
REGENCY SYSTEMS INC	$34,692.00
REID RICHARD W ELECTRIC CO INC	$29,900.00
REL INC	$2,821,693.00
RESEARCH APPLICATIONS INC	$206,505.00
RESEARCH SUPPORT INSTRUMENTS	$123,000.00
RESOURCES RESEARCH CORP	$181,451.00
RESPOND TECHNICAL CO	$530,386.00

REYNOLDS INDUSTRIES INC	$161,836.00
RIO GRANDE ASSOCIATES INC	$125,000.00
RIVERS AIR CONDITIONING INC	$135,928.00
ROBBINS & KIRKLAND CONTRACTORS	$561,327.00
ROBOTIC VISION SYSTEMS INC	$583,330.00
ROCKET RESEARCH CORP	$226,118.00
ROME RESEARCH CORP	$2,184,869.00
RONDOUT ASSOCIATES	$416,927.00
ROSENBAUM HAROLD ASSOCIATES INC	$160,000.00
ROTHE DEVELOPMENT INC	$479,214.00
RUSKA INSTRUMENT CORP	$80,585.00
RUSSTEK RESEARCH	$167,000.00
RUTLEDGE LINEN SUPPLY	$33,761.00
S & O AIR CONDITIONING INC	$41,880.00
S CUBED	$380,000.00
S F K STEEL & SUPPLY INC	$43,747.00
SANTA BARBARA RESEARCH CENTER	$115,986.00
SANTA CRUZ CONSTRUCTION INC	$370,914.00
SCHAFER W J ASSOCIATES INC	$1,569,403.00
SCHMALENBERGER J A	$385,722.00
SCHMIDT T E	$225,915.00
SCHRAMM INC	$100,594.00

SCIENTIFIC RESEARCH ASSOCIATES	$179,989.00
SCIENTIFIC SIMULATION CONSULTANTS	$195,000.00
SCIENTIFIC SYSTEMS INC	$605,075.00
SCIENTIFIC TECH ASSOCIATES INC	$208,399.00
SCIPAR INC	$853,133.00
SCITRAN	$37,500.00
SCOPE ELECTRONICS INC	$1,347,986.00
SCOTSMAN MFG CO INC	$28,920.00
SCOTSMAN MOBILE LEASE CO	$30,625.00
SEDCO SYSTEMS INC	$169,688.00
SEQUOIA RESEARCH CORP	$200,000.00
SEYMOUR ELECTRIC SUPPLY CO	$37,275.00
SHANE GELLING CO	$270,634.00
SHANKLE J HAROLD CO INC	$182,142.00
SIERRA GEOPHYSICS INC	$437,378.00
SIERRACIN SYLMAR	$1,266,212.00
SIGNAL SCIENCE INC	$64,168.00
SIGNATRON INC	$368,557.00
SIMULATION TECHNOLOGY INC	$202,003.00
SINACOLRI JOHN B ASSOCIATES	$183,500.00
SITE DEVELOPMENT INC	$164,000.00
SKYLARK NORTH	$28,322.00
SLAUGHTER & TRIMM ARCHITECTS & ENG	$26,858.00
SOFTECH INC	$3,476,273.00
SOFTWARE & ENGINEERING ASSOCIATES	$536,953.00
SOHAR INC	$289,635.00
SOLAR ELECTRICAL CONSTRUCTION CORP	$31,789.00
SONICRAFT INC	$13,000,000.00
SOUTH SHORE SANITATION CORP	$31,111.00
SOUTHEASTERN ENTERPRISES	$209,513.00
SPACE DATA CORP	$2,066,193.00
SPACE VECTOR CORP	$375,765.00
SPECIALTY CONTRACTORS INC	$72,517.00
SPECTRA RESEARCH SYSTEMS INC	$2,864,223.00
SPECTRAL SCIENCES INC	$40,000.00
SPECTRAN INC	$244,989.00
SPECTRON DEVELOPMENT LABORATORIES	$913,867.00
SPEEGLE CONSTRUCTION CO	$1,339,733.00
SPIESS CONSTRUCTION CO	$167,093.00
SPIRE CORP	$112,625.00
SPRINGBORN LABORATORIES INC	$159,968.00
STAFFCO CONSTRUCTION INC	$241,700.00
STANDARD MFG CO	$1,541,138.00
STANFORD TELECOMMUNICATIONS INC	$552,951.00

STERLING SYSTEMS INC	$300,000.00
STEVENS CO	$30,927.00
STILSON ALDEN E & ASSOCS LTD	$29,000.00
STOP FIRE INC	$99,987.00
STOVALLS SECURITY SERVICE	$985,703.00
STRONG BILL ENTERPRISES INC	$1,416,400.00CR
SUNSHINE SERVICES INC	$33,162.00
SUPPORT SYSTEMS ASSOCIATES INC	$3,707,808.00
SUSQUEHANN RESOURCES & ENVIRONMENT	$50,000.00
SYNAIR CORP	$75,000.00
SYNECTICS CORP	$2,732,551.00
SYSTEMS & APPLIED SCIENCES CORP	$5,577,048.00
SYSTEMS ARCHITECTS INC	$1,214,351.00
SYSTEMS CONTROL INC	$1,406,417.00
SYSTEMS EXPLORATION INC	$275,000.00
SYSTEMS INTEGRATION ENGRING INC	$409,000.00
SYSTEMS PRODUCTIVITY & MGT CORP	$39,522.00
SYSTEMS RESEARCH LABORATORIES INC	$30,675.00
SYSTEMS SCIENCE & SOFTWARE	$1,651,265.00
SYSTEMS TECHNOLOGY INC	$211,753.00
SYSTEMS TECHNOLOGY LABS INC	$330,786.00
SYSTRAN CORP	$1,022,730.00
T B S SERVICE CO INC	$1,055,821.00
T E & S ROOFING CO	$111,000.00
TACTEC SYSTEMS	$159,057.00
TECH REPS INC	$228,846.00
TECHNICAL SPECIALTIES & SERVICE CO	$38,000.00
TECHNICS INC	$43,605.00
TECHNOLOGY DEVELOPMENT CORP	$11,888,338.00
TECHNOLOGY DEVELOPMENT OF CALIF	$6,063,262.00
TECHNOLOGY FOR COMMUNICATIONS INTL	$361,938.00
TECHNOLOGY INC	$1,331,336.00
TECHNOLOGY SERVICE CORP	$961,501.00
TECOLOTE RESEARCH INC	$310,835.00
TEMPLE ROBERT W CONTRACTOR	$3,678,024.00
TERMINALS UNLIMITED INC	$626,688.00
TERRA TECHNOLOGY CORP	$37,401.00
TETRA SYSTEMS CORP	$74,434.00
TEXAS PAINTER CRAFT INC	$5,321,537.00
THERACORE INC	$203,063.00
THERMO ELECTRON CORP	$748,109.00
THREE D B M INC	$116,716.00
TITAN SYSTEMS INC	$195,887.00
TORRES VICTOR P CONSTRUCTION	$140,877.00

TOWNSCO CONTRACTING CO	$183,450.00
TRANSEMANTICS INC	$109,299.00
TRANSIT SERVICES INC	$472,387.00
TREND WESTERN TECHNICAL CORP	$3,280,967.00
TRI CON ASSOCIATES INC	$410,409.00
TRI GO ENGINEERING CO INC	$180,096.00
TRIAD MICROSYSTEMS INC	$1,500,750.00
TRIDENT DATA SYSTEM	$125,136.00
TRUST CONSTRUCTION CORP	$428,450.00
TULLAHOMA PAVING CO	$50,801.00
TURNER DISPOSAL	$27,300.00
TYBRIN CORP	$304,124.00
U S CONTRACTING INC	$151,585.00
ULTRASYSTEMS INC	$1,949,901.00
UNGERMANN BASS INC	$55,370.00
UNITED MECHNICAL CONTRACTORS	$147,760.00
UNITED STEEL PRODUCTS CO	$62,242.00
UNIVERSAL ASPHALT PAVING CO INC	$385,345.00
UNIVERSAL CONTRACTORS INC	$842,375.00
UNIVERSAL ENERGY SYSTEMS INC	$3,789,545.00
UNIVERSAL TECHNOLOGY CORP	$2,015,195.00
UP RIGHT INC	$154,106.00

UPSHUR CORPORATION	$113,187.00
V I P PAINTING & SANDBLASTING CO	$58,740.00
V T I INC	$315,000.00
VAL TRONICS INC	$30,000.00
VALANT PAINTING CO	$182,600.00
VALTRONICS INC	$74,430.00
VEDA INC	$1,290,506.00
VEHICLE RESEARCH CORP	$88,500.00
VEHICLE SYSTEMS DEVELOPMENT CORP	$29,608.00
VEN TEL INC	$46,960.00
VER VAL ENTERPRISES INC	$1,195,416.00
VERAC INC	$4,666,817.00
VERSAR INC	$38,933.00
VERSITRON INC	$38,961.00
VIC LANE CONSTRUCTION INC	$521,605.00
VIGIL PAINTING	$176,000.00
VIKING MECHANICAL CONTRACTORS	$74,619.00
VINSANT PAINTING & DECORATING INC	$184,697.00
VINSANT PNTNG & DCRNG & HARRIS JV	$104,500.00
VIRGINIA TRACTOR CO INC	$31,890.00
VISIDYNE INC	$821,500.00
VISUAL INSTRUMENTATION CORP	$27,052.00

VOYIAZIS BROS LTD	$195,375.00
VREULS RESEARCH CORP	$491,973.00
W C H INDUSTRIES INC	$49,986.00
W E A	$40,000.00
WALLACE B E PRODUCTS CORP	$96,727.00
WASHINGTON PATROL SERVICE INC	$750,000.00
WATER & AIR RESEARCH INC	$381,206.00
WEIDLINGER ASSOCIATES CONSULT ENGR	$561,828.00
WELLESLEY INSTRUMENT CORP	$60,531.00
WEMCO CASTING INC	$112,688.00
WESTEC SERVICES, INC., SYSTEMS DIV	$81,614.00
WESTERN REASEARCH CORP	$605,341.00
WESTON ROY F	$951,273.00
WHITAKER A P & SONS	$381,680.00
WIGGINS JOHN H CO	$863,333.00
WILLIAMS WILLARD F CONTRACTOR	$99,224.00
WILTRON CO	$45,115.00
XONTECH INC	$4,127,386.00
XYBION CORP	$222,888.00
XYTEL CORP	$100,128.00
ZECCO INC	$113,830.00
ZEGER ABRAMS INC	$72,173.00
TOTAL SMALL BUS	$545,776,099.00

(Fiscal Year 1982)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPP  S DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL BUS/,R(45,$$$$,$$$,$$9.99
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CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END REPORT
---
:GENERATE
 -473- NO ERRORS HAVE OCCURRED -
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OSWALT WH C114 EQ J AND C202 EQ 82:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200      -
 A & B WIPER SUPPLY INC                                  $122,681.00
 A & F GROUNDS MAINTENANCE INC                            $20,700.00
 A B C DECORATORS                                         $23,672.00
 A C C O SOLAR CONTROL                                    $23,870.00
 A C CO                                                   $15,940.00
 A C R ELECTRONICS INC                                    $53,379.00
 A C V MARKETING LTD                                      $47,650.00CR
 A D L ENTERPRISES INC                                    $19,282.00
 A E DESIGN ASSOCIATES                                    $95,168.00
                                                          $71,751.00

 A G SOD CO INC                                           $12,420.00
 A L B INDUSTRIES INC                                     $59,979.00
 A M A F INDUSTRIES INC                                   $12,000.00
 A ONE CARTING SERVICE INC                               $158,603.00
 A P A C GEORGIA INC                                      $12,989.00
 A P S SYSTEMS INC                                       $141,266.00
 A R F PRODUCTS INC                                      $257,848.00
 A V M ELECTRONICS SYSTEMS INC                           $191,820.00
ACCOLA ELECTRIC CO                                        $11,900.00
ACCUMETRICS CORP                                          $95,000.00
ACME FOAM CORP                                            $17,595.00
ACME PIPELINE & ENGINEERING CO                            $14,854.00CR
ACTION COMPUTER ENTERPRISES INC                           $33,060.00
ACTION MOBILE OFFICE RENTALS                              $95,500.00
ACUREX CORP                                            $3,993,208.00
ADAGE INC                                                 $10,500.00
ADAPTIVE OPTICS ASSOCIATES INC                           $930,633.00
ADAPTIVE SENSORS INC                                     $124,159.00
ADELPHIA GRAPHIC SYSTEMS                                  $21,520.00
ADGER SMITH WELLS INC                                     $14,240.00
ADIVARI DISPOSAL                                          $18,355.00
ADVANCED INFORMATION & DECN SYS                          $940,006.00

ADVANCED INTERGRATED TECHNOLOGY                           $13,520.00
ADVANCED LOGISTICS MANAGEMENT INC                         $40,608.00
ADVANCED NAVIGATION INC                                   $31,590.00
ADVANCED RESEARCH & APPL CORP                             $49,931.00
AERO                                                      $75,450.00
AERO CHEM RESEARCH LABORATORIES                          $224,924.00
AERODYNE RESEARCH INC                                    $995,260.00
AERONAUTICAL RESEARCH ASSOCIATES                          $59,995.00
AEROPHYSICS RESEARCH CORP                                $125,000.00
AGRICULTURAL BUILDINING CO                                $18,859.00
AHERN JOHN CO INC                                        $125,181.00
AIR COLD SUPPLY                                           $11,256.00
AIR COMFORT & REFRIGREATION                               $48,680.00
AIR LOOK INC                                              $17,417.00
AIRBORNE PRODUCT SUPPORT, INC.                           $115,000.00
AIRFAN ENGINEERING CO                                     $10,350.00
ALABAMA ELECTRIC CO INC                                   $10,600.00
ALEMAN FOOD SERVICE INC                                  $130,049.00
ALL FLORIDA PAINT STORE INC                               $16,815.00
ALLEN H V CO INC                                         $126,584.00
ALLEN PRODUCTS INC                                        $55,950.00
ALPHA INFORMATION SYSTEMS                                 $40,565.00
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ALPHATECH INC	$816,410.00
ALTAIR MAINTENANCE SERVICES INC	$28,250.00
AMER INDUSTRIAL TECHNOLOGIES	$97,600.00
AMERICAN CALCULATOR & COMPUTER CO	$59,607.00
AMERICAN FIRE SYSTEMS	$52,790.00
AMERICAN HOLOGRAPHIC INC	$43,661.00
AMERICAN INDUSTRIES INC	$21,514.00
AMERICAN MILITARY SUPPLY CORP	$12,068.00
AMERICAN NUCLEONICS CORP	$90,957.00
AMERICAN REPROGRAPHICS INC	$5,302.00
AMERICAN SCIENCE & ENGINEERING INC	$24,000.00
AMEX SYSTEMS INC	$3,254,275.00
AMHERST SYSTEMS INC	$114,115.00
AMSPACHER & AMSPACHER ARCHITECTS	$40,674.00
ANALYSIS & COMPUTER SYSTEMS INC	$2,537,050.00
ANALYSIS & TECHNOLOGY INC	$76,544.00
ANALYTIC DECISIONS INC	$159,977.00
ANALYTIC SCIENCES CORP	$7,878,552.00
ANALYTICAL METHODS INC	$248,000.00
ANALYTICAL SCIENCES CORP	$505,123.00
ANALYTICAL SYSTEMS ENGR CORP	$8,848,275.00
ANALYTICS INC	$754,428.00

ANALYTYX ELECTRONICS SYSTEMS INC	$106,485.00
ANAMET LABORATORIES INC	$939,342.00
ANDREWS RAILROAD CONTRACTING CO	$315,653.00
ANDRULIS RESEARCH CORP	$145,000.00
ANTELOPE BUILDING MAINTENANCE	$359,910.00
ANTHROPOLOGY RESEARCH PROJECT INC	$173,146.00
ANTI COLD INSULATED CLOTHING INC	$31,000.00
APPLICATION RESEARCH CORP	$1,971,109.00
APPLICATIONS RESEARCH CORP	$259,738.00
APPLICON INC	$914,851.00
APPLIED CONCEPTS CORP	$135,535.00
APPLIED DESIGN CO INC	$566,454.00
APPLIED EQUIPMENT CORP	$12,000.00
APPLIED MODELING INC	$28,100.00
APPLIED RESEARCH ASSOCIATES	$176,524.00
APPLIED RESEARCH INC	$6,185,287.00
APPLIED SCIENCE ASSOCIATES INC	$585,115.00
APPLIED TECHNOLOGY ASSOCIATES INC	$2,226,151.00
ARCATA ASSOCIATES	$488,000.00
ARCHITECTURAL CONCEPTS INC	$99,997.00
ARCON CORP	$469,148.00
ARGO SYSTEMS INC	$56,887.00

ARINC RESEARCH CORP	$2,918,455.00
ARIS ENGINEERING	$35,403.00
ARIZONA FOAM & SPRAY	$373,977.00
ARMAMENT SYSTEMS INC	$464,923.00
ARNOLD AIR CONDITIONING	$95,768.00
ARNOLD BROS CONSTRUCTION INC	$683,523.00
ARNOLD FURNITURE CO	$12,300.00
ARROW JANITORIAL SERVICE	$627,900.00
ART METAL USA INC	$18,054.00
ARTEC ASSOCIATES INC	$101,198.00
ARTEL COMMUNICATIONS CORP	$15,030.00
ARTISAN INC	$588,606.00
ASSOCIATED TECHNOLOGY CONSULTANTS	$465,409.00
ASSOCITED PLUNBING & CONTRACTORS	$20,200.00CR
ASTRO LINK INC	$188,510.00
ASTRONAUTICS CORP OF AMER	$32,000.00
ATLANTIC RESEARCH CORP	$68,000.00
AUSTIN RESEARCH ASSOCIATES INC	$130,366.00
AUTOMETRIC CORP	$169,664.00
AVIATION ENTERPRISES INC	$124,075.00
AZTEC CONSTRUCTION	$76,414.00
B & D ELECTRIC CO INC	$67,280.00
B & F BROKERAGE CO	$17,064.00
B & W SERVICE INDUSTRIES INC	$831,676.00
B E I ELECTRONICS INC	$20,074.00
B P NORTH AMERICAN TRADING CO	$28,640.00
BABBITT BEARING CO INC	$12,750.00
BAIGI HANNAN & ASSOCIATES INC	$17,318.00
BAKER ENTERPRISES INC	$574,386.00
BALDRIDGE J C LUMBER CO	$63,559.00
BAMMAC INC	$500,354.00
BARCLAY D J & CO INC	$113,836.00
BARKLEY & DEXTER INC	$27,288.00
BARNES ENGINEERING CO	$248,516.00
BARNETTS OFFICE SUPPLIES	$15,050.00
BARTHOLOMEW HARLAND & ASSOCIATES	$245,000.00
BARTON CONTRACTING CO	$134,954.00
BASE TEN SYSTEMS INC	$475,967.00
BAY CITIES REFUSE SERVICE INC	$22,560.00
BAY CITY MARINE INC	$2,015,885.00
BEACHLER MARK ASSOCIATES	$33,472.00
BEARD EQUIPMENT CO	$37,147.00
BEAUTILITE CO INC	$13,685.00
BECK JEN ASSOCIATES	$97,490.00

BEDFORD RESEARCH ASSOCIATES INC	$803,700.00
BEERS ASSOCIATES	$142,299.00
BEHE & UMHOLTZ ELECTRICAL CONTR	$52,325.00
BELAND ASSOCIATES INC	$41,521.00
BENT ESPE INC	$154,400.00
BEOWULF CONNECTOR & CABLE CORP	$138,045.00
BERKSHIRE CONSTRUCTION CORP	$74,687.00
BETA INDUSTRIES INC	$316,763.00
BETAC CORP	$2,314,954.00
BEUKERS LABORATORIES INC	$35,433.00
BFANM CORP	$14,104.00
BIHRLE APPLIED RESEARCH INC	$29,643.00
BIONETICS CORP	$532,505.00
BIOSPHERICS INC	$291,404.00
BIRD CONSTRUCTION CO	$53,043.00
BIRD E F ENTERPRISES INC	$357,805.00
BLAIR FRANK GENERAL CONTRACTOR INC	$275,537.00
BLESSING WILFRED E F & ASSOC	$11,992.00
BOLDEN ASTOR ENTERPRISES INC	$134,269.00
BOLEK FRANK & ASSOCIATES	$154,290.00
BOMUR ELECTRIC CO INC	$54,045.00
BONAVIRE J J CO	$74,798.00
BOSTON BEEF CO	$10,880.00
BOUCHARD JOHN & SONS CO	$18,410.00
BOULDER DAM CONSTRUCTION	$14,092.00
BOURBEAU HENRY E INC	$36,299.00
BOYERTOWN DATA SYSTEMS CORP	$24,891.00
BOYS ELECTRIC SERVICE INC	$41,055.00
BRIEL RHAME POYNTER & HOUSER	$48,348.00
BRITTS AIR CONDITIONING INC	$42,200.00
BROKENBOUGH WILLA PARTIES	$0.00
BROWN & SEALES	$53,186.00
BROWN M INC	$867,880.00
BROX GEORGE INC	$203,638.00
BROXSON MOVING & STORAGE	$13,385.00
BUCKNER CONSTRUCTION CO	$410,536.00
BUILDING CONSTRUCTION CO	$22,368.00
BURLEIGH INSTRUMENTS INC	$27,155.00
BURNETTE ENGINEERING	$19,700.00
BURTEK INC	$5,542.00
C & B EXTERMINATING	$69,244.00
C & C REPAIR	$17,255.00
C K S ENGINEERS INC	$44,810.00
C N R INC	$188,615.00

C P T CORP	$1,450,543.00
C R S GROUP INC	$48,165.00
C RAN CORP	$50,452.00
C V D INC	$140,000.00
C Y R BROTHERS MEAT PACKING CO	$12,913.00
CAAP CO INC	$68,350.00
CABRERA CONSTRUCTION CO	$14,700.00
CAINS AIR CONDITION & REFRIG INC	$32,000.00
CALIFORNIA AMPLIFIER INC	$10,750.00
CALIFORNIA RESEARCH & TECHNOLOGY	$824,759.00
CAMAPS INC	$115,894.00
CAMBRIDGE COLLABORATIVE INC	$27,915.00
CAMBRIDGE HYDRODYNAMICS INC	$18,000.00
CAN AN INDUSTRIES INC	$31,181.00
CANTELOU HARRIS & ASSOCIATES	$85,000.00
CANTWELL CONSTRUCTION CO INC	$359,594.00
CANYON RESEARCH GROUP INC	$352,356.00
CAPITAL WESTWARD INC	$223,702.00
CAPSULATED SYSTEMS INC	$71,993.00
CAR TED INDUSTRIES INC	$48,208.00
CARRIERE CONSTRUCTION CO INC	$45,653.00
CARTWRIGHT ENGINEERING INC	$1,164,539.00
CARY WALTER W CO	$43,800.00
CENTEC CONSULTANTS INC	$90,000.00
CENTENNIAL SYSTEMS INC	$414,390.00
CENTER FOR CREATIVE RESEARCH INC	$24,132.00
CENTRAL CONSTRUCTION ASSOCIATES	$76,500.00
CENTURY ELEVATOR CORP	$11,560.00
CENTURY INDUSTRIES INC	$333,488.00
CHALCO ENGINEERING CORP	$222,497.00
CHAPARRAL INDUSTRIES INC	$1,530,950.00
CHAYNE CONSTRUCTORS & A & K PLUMBI	$98,649.00
CHEMICAL DYNAMICS CORP	$130,000.00
CHER CON	$232,541.00
CHIPPEWA SHOE CO	$24,000.00
CHISM TRANSPORTATION CO	$84,320.00
CHOCTAWHATCHEE ELECTRIC COOP INC	$744,481.00
CHRISTIAN ROVSING CORP	$1,322,850.00
CHROMATICS INC	$181,051.00
CLARENCE CONTROLS INC	$46,073.00
CLARKLIFT CENTRAL INC	$15,495.00
CLARKS WELDING CO	$36,983.00
CLEANCO CO	$728,343.00
CLEVERON VARNEY & FIKE	$68,119.00

CLIMAX MFG CO	$23,523.00
COASTAL MATERIALS INC	$35,775.00
COBER ELECTRONICS INC	$12,600.00
COCOA ELECTRIC CO INC	$155,290.00
COHU INC	$297,498.00
COLEMAN D INC	$24,850.00
COLLINS J C CONTRACTOR	$31,950.00
COLLINS JAMES W & ASSOCIATES INC	$28,500.00
COLONEY WAYNE H INC	$9,078,170.00
COLORADO PIPING & MECHANICAL INC	$25,812.00
COM SER CO	$79,692.00
COMARCO INC	$830,951.00
COMBUSTION EQUIPMENT CO INC	$120,000.00
COMMERICAL CONCEPTSENTER NEW NAME.	$25,008.00
COMMUNITRONICS CORP	$17,000.00
COMPLERE INC	$20,000.00
COMPTEK RESEARCH INC	$238,434.00
COMPUTER CORP OF AMERICA	$759,000.00
COMPUTER PRODUCTS INC	$27,164.00
COMPUTER SCIENCE & APPLICATIONS	$251,250.00
COMPUTER SOFTWARE ANALYSIS INC	$512,160.00
COMPUTER TECHNOLOGY ASSOCIATES	$733,700.00
COMPUTERLAND	$14,448.00
COMTECH DATA CORP	$12,600.00
CONCORDE INDUSTRIES INC	$23,460.00
CONDOR SYSTEMS INC	$40,350.00
CONSOLIDATED CLEANING CO	$41,201.00
CONTINENTAL CHEMICAL CO	$12,262.00
CONTINENTAL CHEMICAL CORP	$12,564.00
CONTINENTAL ENGINEERS INC	$11,764.00
CONTINENTAL FLOORING CO	$13,560.00
CONTINENTAL GRAFHIC SERVICES INC	$21,336.00
CONTINENTAL RESOURCES INC	$35,000.00
CONTINENTAL WESTERN WATER CONDITNG	$23,223.00CR
CONTRACT UNLIMITED INC	$45,137.00
CONTROL DYNAMICS	$127,700.00
CONTROL SYSTEMS CO	$24,873.00
CONWELL K L ELECTRIC CO	$48,589.00
COOK CONSTRUCTION CO	$323,452.00
COPIES FULL COLOR INC	$29,607.00
COPLEY LANE CAPEN ADVERTISING CO	$117,020.00
CORVUS SYSTEMS INC	$485,273.00
COUNTRY SHORE PAINTING CORP	$114,300.00
COWAN CONSTRUCTION CO	$59,633.00

COX CONSTRUCTION CO INC	$604,448.00
CROWSON B R PAINTING CO	$19,480.00
CRUN CONSTRUCTION CO	$31,622.00
CRYSTAL SPECIALTIES INC	$15,467.00CR
CRYSTAL SYSTEMS	$11,596.00
CYBERCHRON	$27,460.00
D B A SYSTEMS INC	$441,005.00
D C W INDUSTRIES	$11,000.00
DAHLGREN ENGRAVING SYSTEMS	$13,457.00
DANIELS & PARKS GENERAL CONTRACTOR	$14,486.00
DATA ACCESS SYSTEMS INC	$0.00
DATA CHECK CORP	$57,850.00
DATA COMMUNICATIONS ASSOCIATES INC	$19,166.00
DATA COMMUNICATIONS INC	$12,540.00
DATA DYNAMICS INC	$22,139.00CR
DATA ENGINEERING CORP	$12,000.00
DATA GATE	$54,414.00
DATACOM INC	$1,815,554.00
DATAMART INC	$101,803.00
DATAMORE SUPPLY CO	$14,990.00
DATATEC INC OF FORT WALTON BEACH	$766,569.00
DATRON SYSTEMS INC	$1,297,108.00

DAYRON CORP	$3,765,971.00
DE PUY C A CO	$51,035.00
DEBRA FRED & CO	$581,000.00
DECC CORP	$40,541.00
DECISION SCIENCE APPICATIONS INC	$314,662.00
DECISION SCIENCE INC	$118,466.00
DECISIONS & DESIGNS INC	$296,484.00
DEL JEN INC	$1,650,387.00
DELCO WIRE & CAELE INC	$21,440.00
DELGADO & SONS INC	$394,000.00
DELRON CO INC	$56,785.00
DELTA REFINING CO	$15,786.00
DEPARTMENT OF COMMERCE	$18,907.00
DESERT CONSTRUCTION CO	$68,913.00
DESIGN ENGINEERING LABORATORY INC	$20,000.00
DESTIN TRUCKING	$18,083.00
DEVELOC INC	$43,400.00
DEVELOPMENTAL SCIENCES INC	$2,100,000.00
DEVIL'E ALUMINUN PRODUCTS INC	$57,625.00
DEWEY ELECTRONICS CORP	$725,000.00
DI PRIMA CONSTRUCTION CORP	$318,700.00
DIAZ SECKINGER & ASSOCIATES INC	$172,236.00

DIGICOMP RESEARCH CORP	$717,611.00
DIGITAL PROGRAMMING SERVICES INC	$221,727.00
DIKEWOOD INDUSTRIES INC	$4,100,257.00
DILLON BOILER SERVICES INC	$24,685.00
DIVERSIFIED RESEARCH INC	$110,494.00
DIXIE COATING CO	$50,258.00CR
DIXIE GLASS CO	$11,450.00
DIXSON RAYMOND & ASSOCIATES INC	$24,980.00
DOLCH LOGIC INSTRUMENTS	$14,680.00
DONNER PLUMBING & HEATING INC	$11,050.00
DOODS PAUL CO	$11,604.00
DOTY ASSOCIATES	$83,315.00
DOUGLAS ENGINEERING CO	$73,689.00
DRAKE & CO	$88,817.00
DRESSER INDUSTRIES INC	$11,416.00
DRIVEWAYS INC	$69,195.00
DUBOC LANE & MONCKTON INC	$54,645.00
DUNN INSTRUMENT ING	$15,350.00
DURFEE INDUSTRIES INC	$29,900.00
DYNA EAST CORP	$327,547.00
DYNAMIC CONTROLS CORP	$221,750.00
DYNAMICS RESEARCH CORP	$1,993,838.00
DYNASTAT CORP	$17,979.00
DYNETICS INC	$607,184.00
E & O SYSTEMS LTD	$115,904.00
E I C INC	$148,308.00
E I P MICROWAVE	$20,320.00
E SYSTEMS INC	$92,000.00
EAGLE TECHNOLOGY INC	$65,403.00
EARTH SCAPES INC	$11,081.00
EAST COAST CONTRACTING INC	$17,459.00
EATONVILLE DIVERSIFIED INC	$95,748.00
ECHO SCIENCE CORP	$144,061.00
ECODYNAMICS REASEARCH ASSOCIATES	$36,585.00
ECOLAIRE VALE CO	$51,149.00
ECONOMICS TECHNOLOGY ASSOC	$25,000.00
ECOS MANAGEMENT CRITERIA	$30,972.00
EDAW INC	$548,346.00CR
EDBERT COMPUTER SERVICE CORP	$16,190.00
EDMONDS ELECTRONIC CO	$48,000.00
EDUCATIONAL COMPUTER CORP	$85,000.00CR
EDWARDS GEORGE S CO INC	$27,943.00
EFRATOM SYSTEMS CORP	$122,162.00
EHRENKRANTZ GROUP	$55,000.00

EIKONIX CORP	$387,841.00
ELDER EQUIPMENT LEASING INC	$25,480.00
ELECTRIC IMPULSE LABORATORY INC	$32,500.00
ELECTRIC MACHINERY MFG CO	$14,230.00
ELECTRO MAGNETIC PROCESSES INC	$15,800.00
ELECTRO SPACE SYSTEMS INC	$140,000.00
ELECTRO TECHNOLOGY	$10,114.00
ELECTRONIC ASSOCIATES INC	$10,892.00
ELECTRONIC SPACE SYSTEMS CORP	$89,277.00
ELK RIVER PUBLIC UTILITY DISTRICT	$2,704,276.00
EMCON ASSOCIATES	$75,000.00
EMERY A H CO THE	$22,450.00
EMPIRE CLARKLIFT INC	$41,320.00
EMPIRE PIPE CLEANING & EQUIP INC	$84,526.00CR
ENERGY CONVERSION DEVICES INC	$50,000.00
ENERGY MACHINERY CO	$33,884.00
ENERGY MACHINERY INC	$11,000.00
ENERGY SYSTEMS MAINTENANCE INC	$30,429.00
ENGINEERED REFRIGERATION SYSTEMS I	$24,987.00
ENGINEERING CONSTRUCTION CORP	$24,900.00
ENGINEERING SCIENCE INC	$533,395.00
ENSIGN BICKFORD CO	$18,970.00

ENVIROMETRICS INC	$50,000.00
ENVIRONMENTAL ASEPTIC SVS ADMN	$158,670.00
EPSILON LABORATORIES INC	$110,000.00
EQUIPTO ELECTRONICS CORP	$16,154.00
EQUIPTO STORAGE SYSTEMS	$12,210.00
ERTEC WESTERN INC	$2,921,937.00
ETERNA LINE CORP	$59,300.00
EVERGLADES SOD & LANDSCAPING INC	$164,980.00
F & P CONSTRUCTION CO	$240,000.00
F R O LANDSCAPING	$20,419.00
F X SYSTEMS CORP	$27,263.00
FACILITIES SYSTEMS ENGINEERING CO	$71,476.00
FALLS JANITORIAL SERVICE INC	$272,072.00
FAMILIAN SUPPLY	$20,880.00
FAR FIELDS INC	$93,930.00
FARAGON CONTRACTING CORP	$45,000.00
FARMER CORP	$304,196.00
FARNSWORTH CANNON INC	$33,077.00
FARRAND OPTICAL CO INC	$26,745.00
FEDERAL CONTRACTING CO	$235,332.00
FERENOINO GRAFTON SPILLIS CANDELA	$136,844.00
FIBER MATERIALS INC	$888,602.00

FINGERMATRIX INC	$95,592.00
FIRE GUARD INC	$224,000.00
FIRE MASTERS INC	$38,000.00
FIRE RESEARCH CORP	$400,000.00
FIRST ANN ARBOR CORP	$99,870.00
FLECKINGER REFUSE INC	$203,761.00
FLIGHT DYNAMICS RESEARCH CORP	$208,114.00
FLIGHT RESEARCH INC	$53,306.00
FLINCHUM CONSTRUCTION CO INC	$1,771,714.00
FLORIDA GENERAL CONTRACTORS INC	$44,902.00
FLORIDA RENT A CAR	$11,541.00
FLOW RESEARCH INC	$316,211.00
FLOW SIMULATIONS INC	$27,427.00
FLOW TECHNOLOGY INC	$52,968.00
FLUID DYNAMICS INC	$33,700.00
FLUIDYNE ENGINEERING CORP	$221,832.00
FLUOROCHEM INC	$75,000.00
FORD UNIVERSAL CARPET CO	$29,374.00
FORT WALTON COMMUNICATIONS INC	$96,412.00
FORTYSEVENTH STREET PHOTO INC	$11,876.00
FOUR SEASONS ENGINEERING LTD	$21,507.00
FOX ROOFING CO,INC	$22,990.00

FREQUENCY ELECTRONICS INC	$115,000.00
FROST ENGINEERING DEVELOPMENT CORP	$77,044.00
FULTON ROOFING & CONSTRUCTION CO *	$95,513.00
GABRIEL ELECTRONICS	$24,260.00
GAERTNER RESEARCH INC	$172,015.00
GAGLIARDI SYSTEMS GROUP INC	$312,113.00
GANDALF DATA INC	$138,058.00
GARCIA TREE & LAWN INC	$149,635.00
GARRETT GARBAGE SERVICE	$12,442.00
GARTNER HARF CO	$2,489,963.00
GEEENWAY RODNEY H INC	$1,537,333.00
GEN RAD INC	$18,595.00
GENERAL CONTRACTORS	$368,724.00
GENERAL IMAGE ENGINEERING CORP	$84,330.00
GENERAL MOTORS CORP	$34,024.00
GENTEX CORP	$1,246,809.00
GEODYNAMICS CORP	$1,108,960.00
GEOMIT TECHNOLOGIES INC	$991,812.00
GEOTEL INC	$61,860.00
GIBES HUGH & DONALD ARCHITECTS ATA	$48,941.00
GIGA TRONICS	$37,600.00
GLASS DOCTOR THE	$52,360.00

GLOBE CORP	$85,790.00
GOLDEM STATE TELEPHONE	$47,402.00
GOODMANS DESIGN INTERIORS	$15,600.00
GOODRICH ROOFING CO	$17,552.00
GOULD INC	$351,503.00
GOVERNMENT CONTRACTORS INC	$1,634,718.00
GOVERNMENT MARKETING SERVICES INC	$157,672.00
GRANADA GREASE CO	$30,850.00
GREAT HAWAIIAN DESIGN TEAM THE	$26,384.00CR
GRINNELL SYSTEMS CORP	$43,950.00
GULF ATLANTIC CONSTRUCTORS INC	$157,195.00
GULF COAST ELECTRIC MOTOR SVS INC	$17,374.00
GULF ELECTRIC CONSTRUCTION CO INC	$66,051.00
GYER & SALIEA INC	$25,000.00
H & C CONTRACTING CO	$150,550.00
H D DEVELOPMENTCO INC	$12,353.00
H E INC	$48,994.00
H S S INC	$229,802.00
HACKING LABS	$11,955.00CR
HAHN RALPH & ASSOCIATES	$35,816.00
HALCO SALES INC	$38,630.00
HALE J R CONTRACTING CO INC	$552,609.00
HANSON R A CO INC	$2,475,000.00
HARMON SEPTIC TANK INC	$23,460.00
HARRIS MFG CO INC	$16,003.00
HARRIS ROOFING CO	$23,627.00
HARTEC ENTERPRISES INC	$39,978.00
HARTER CORP	$28,987.00
HARTRAMPF POWELL & ASSOCIATES	$106,187.00
HATHAWAY INSTRUMENTS INC	$39,837.00
HEAFY & ASSOCIATES	$20,000.00
HEBERT R A MACHINE TOOL CO INC	$59,655.00
HELAVA ASSOCIATES INC	$50,000.00
HENDERSON JACK B CONSTRUCTION CO	$191,880.00
HERNDON SCIENCE & SOFTWARE	$61,943.00
HERSH ACOUSTICAL ENGINEERING	$84,000.00
HETRA COMPUTER & COMMUNICATION IND	$142,050.00
HI SHEAR CORP	$154,000.00
HIGGINS AULD - ASSOCIATES	$150,509.00
HIGH VOLTAGE COMPONENTS	$23,302.00
HIGH VOLTAGE MAINTENANCE CORP	$60,490.00
HIGHTOWER CONSTRUCTION CO	$14,825.00
HILL PETROLEUM CO	$21,398.00
HILL WILSON ASSOCIATES INC	$31,000.00

HINKLEY J R & ASSOCIATES	$1,484,166.00
HOLDER C V INC	$6,120,621.00
HOLLYWOOD FILM CO	$16,250.00
HOLMAN LOESINGER CO	$10,907.00
HOMESTEAD TOOL & MACHINE INC	$527,083.00
HOPE INDUSTRIES INC	$61,623.00
HORIZONS TECHNOLOGY INC	$195,704.00
HOUSEHOLD DATA SERVICES INC	$150,000.00
HOUSEKEEPERS MAINTENANCE SERVICE	$863,892.00
HOUSTON FEARLESS SEVENTY SIX	$49,600.00
HOWELL CONSTRUCTION & ENGR CO INC	$229,650.00
HUGGINS CONSTRUCTION CO	$11,483.00
HUGO CONSTRUCTION CO INC	$183,350.00
HUMAN DESIGNED SYSTEMS INC	$11,286.00
HUMANETICS INC	$23,123.00
HYCOR INC	$575,000.00
HYDRAULIC & AIR EQUIPMENT CO INC	$18,510.00
HYDROQUAL INC	$40,523.00
I E S OF TEXAS	$19,536.00
I L C DOVER	$580,000.00
I P S SERVICES INC	$106,900.00
I R T CORP	$596,920.00
I T I ELECTRONICS INC	$19,350.00
IAP RESEARCH, INC.	$192,306.00
IMAGE GRAPHICS INC	$100,000.00
IMAGE MAGNIFICATION INC	$15,881.00
IMPULSE ELECTRONICS INC	$38,541.00
INCO INC	$5,271,353.00
INCOSYM INC	$594,340.00
INDEC SYSTEMS	$15,205.00
INDEPENDENT MEDICAL ASSOCIATES	$16,038.00
INDIAN RIVER ROOFING INC	$36,670.00
INDUSTRIAL COATINGS INC	$12,000.00
INDUSTRIAL MAINTENANCE SERVICE INC	$574,968.00
INFORMATION DEV & APPLICATIONS	$65,703.00
INFORMATION PROCESSING SYSTEMS INC	$162,462.00
INFORMATION SPECTRUM INC	$69,610.00
INFORMATION SYSTEMS NETWORKS CORP	$1,228,845.00
INFORMATION TRANSFER INC	$91,342.00
INLAND ASSOCIATES	$34,500.00
INPUT OUTPUT COMPUTER SERVICES INC	$1,754,389.00
INSTRUMENT SERVICES LAB	$22,227.00
INSTRUMENTATION MARKETING CORP	$93,070.00
INSTRUMENTS S A INC	$10,220.00

INTEGRATED CIRCUIT ENGR CORP	$150,000.00
INTEGRATED SYSTEMS INC	$269,841.00
INTELLIGENT SYSTEMS CORP	$15,520.00
INTEQ INC	$212,350.00
INTER CON SECURITY SYSTEMS	$2,193,710.00
INTERACTIVE SYSTEMS INC	$422,490.00
INTERFACE ENGINEERING INC	$243,040.00
INTERIOR PLANNING ASSOCIATES	$10,812.00
INTERMETRICS INC	$3,926,500.00
INTERNATIONAL APPLIED PHYSICS INC	$27,000.00
INTERNATIONAL COMPUTING CO	$180,000.00
INTRON CORP	$11,350.00
IRVINE SENSORS CORP	$2,900,000.00
IVEYS STEEL ERECTORS PREFECT JV	$38,990.00
J & J MAINTENANCE INC	$984,219.00
J & J TECHNOLOGIES INC	$13,955.00
J & S ELECTRIC CO INC	$62,710.00
J B F ASSOCIATES INC	$35,597.00
J B INDUSTRIES	$464,194.00
J B S MISSOURI INC	$61,860.00
J C M INDUSTRIES INC	$44,768.00
J M C CONSTRUCTORS INC	$10,947.00
J W M CORP	$9,189,493.00
JANIS RESEARCH CO INC	$62,440.00
JANOS OPTICAL CORP	$32,614.00
JAWITZ STEVEN E GENERAL CONTRACTOR	$27,396.00
JAYCOR	$184,795.00
JEN BECK ASSOCIATES	$133,276.00
JESSUP GYROSCOPE CO	$116,987.00
JIMMYS FOODS INC	$10,002.00
JOBEAR INC	$186,199.00
JOHNSON INDUSTRIES	$23,766.00
JOHNSON LANCASTER INC	$58,801.00
JONATHAN MFG CO	$10,944.00
JONES FLOOR COVERING INC	$11,238.00
JONES PHILLIP R & ASSOCIATES INC	$24,979.00
JONES ROBERTSON INC	$112,400.00
JOYCE TELECTRONICS CORP	$14,875.00
K N S INDUSTRIES	$14,935.00
KANNER LEO ASSOCIATES	$225,600.00
KARAGZIAN & CASE STRUCTURAL ENGNRS	$284,565.00
KAUFMAN UNIVERSAL ELECTRONIC ALARM	$21,261.00
KAY JAMES T CO INC	$92,500.00
KEARNEY A T CO INC	$15,928.00

KELVIN MFG CO	$14,000.00
KENNARD DELAHOUSIE & GAULT	$16,355.00CR
KENNEDY FRANK A INC	$155,605.00
KENNEDY JERRY L DR	$14,264.00
KENNEY N B CO	$10,560.00
KENT CARVELL CONSTRUCTION	$24,995.00
KENT W W	$44,708.00
KEO CONSULTANTS	$175,000.00
KERN TURF	$14,953.00
KETRON INC	$49,979.00
KILLINGER MARINE INC	$16,400.00
KINETIC BUILDERS INC	$272,035.00
KINTON INC	$244,120.00
KIRCHDORFER SKIP INC	$2,580,095.00
KLOPF AUDIO VIDEO CO	$12,010.00
KOLE J CO	$12,339.00
KOLESSIDES NICHOLAS J	$10,030.00
KORDA ENGINEERING CO	$10,388.00
KOZIN BOGDANOFF & ASSOC INC	$44,000.00
KRAMER TRENTON CO	$30,397.00
KRETECH INC	$30,000.00
KTECH CORP	$702,139.00

KURZBACH GUENTER	$17,885.00
L & L INSTALLERS SALES & SERVICES	$57,027.00
L GARDE INC	$184,332.00
L N R COMMUNICATIONS INC	$300,000.00
LA SIERRA CONSTRUCTION CO INC	$159,000.00
LAKE SHORE CRYOTRONICS INC	$20,000.00
LANCASTER PLUMBING SUPPLIES INC	$10,530.00
LANCER INDUSTRIES INC	$235,049.00
LANDGRAF CONSTRUCTION INC	$193,417.00
LANSON INDUSTRIES INC	$2,248,882.00
LASAR MFG CO INC	$10,481.00
LASER IONICS INC	$11,000.00
LATSEC INC	$187,285.00
LAURIS H J CO	$49,822.00
LAVENDAR CONSTRUCTION	$12,400.00
LAWN MASTER INC	$32,868.00
LECTRIC LITES CO	$21,789.00
LECTRO MAGNETICS INC	$24,908.00
LEE ROOFING CO	$709,549.00
LEE ROOFING OF REDLAND INC	$38,038.00
LEHNER GEORGE DR	$19,790.00
LEIDENFROST HOROWITZ & ASSOCIATES	$93,000.00

LEVIN PORTER SMITH INC	$35,216.00
LEXIDATA CORP	$27,505.00
LIBERTY SCIENTIFIC INC	$0.00
LIFE SUPPORT SYSTEMS INC	$945,762.00
LIGHTNING & TRANSIENTS RSCH INST	$60,000.00
LIGHTNING LOCATION & PROTECTION IN	$122,244.00
LINDBERG & ASSOCIATES	$275,312.00
LINDENMEYR PAPER CO INC	$17,950.00
LINDGREN ERIK A & ASSOCIATES INC	$39,825.00
LINE POWER INC	$39,034.00
LINK ASSOCIATES	$34,400.00
LINKABIT CORP	$840,163.00
LOGICON INC	$17,875,529.00
LOGIMETRICS INC	$18,301.00
LOGUE W J CONSTRUCTION INC	$2,163,988.00
LOM CORP	$1,127,449.00
LOMBARD CORP	$264,168.00
LONE MOUNTAIN CONTRACTING INC	$19,985.00
LONGDEN CO INC	$19,100.00
LOONEY L W & SON MACHINE SHOP MFG	$3,681,004.00
LORD & SON	$2,085,214.00
LORENZ & WILLIAMS INC	$33,108.00

LOS ALAMOS TECHNICAL ASSOCIATES	$461,756.00
LUTHERS MARINE & INDUSTRIAL CO	$68,041.00
LYNCH EDWARD A MACHINERY CO INC	$44,800.00
M B ASSOCIATES	$28,405.00
M P C PRODUCTS CORP	$681,978.00
M R J INC	$42,000.00
M T S SYSTEMS CORP	$49,200.00
MAC AULAY BROWN INC	$1,305,731.00
MACHINE INTELEGENCE CORP	$49,994.00
MADISON MADISON INTERNATIONAL INC	$30,000.00
MAGNADEX INC	$155,573.00
MANAGEMENT CONSULTING & RESEARCH	$45,000.00
MANLABS INC	$201,743.00
MANTECH INTERNATIONAL CORP	$787,316.00
MARCOM JAMES W	$51,572.00
MARCON INDUSTRIES INC	$433,115.00
MARK RESOURCES INC	$722,025.00
MARKET REFRIGERATION	$93,934.00
MARTIN C CO INC	$65,825.00
MASON ELLIS INC	$81,744.00
MASS VAC INC	$23,500.00
MATERIALS CONCEPTS INC	$29,999.00

MATERIALS SCIENCES CORP	$48,182.00
MATERIALS TESTING EQUIPMENT CORP	$37,370.00
MATHAS CHRISTOPHER A	$14,500.00
MATHEMATICAL GEOSCIENCES INC	$30,000.00
MATHEMATICAL SCIENCE NORTHWEST INC	$206,573.00
MAXIMA CORP	$171,000.00
MAXIMUS INC	$17,510.00
MAXWELL LABORATORIES INC	$1,932,401.00
MAYTEX MFG CO	$10,048.00
MC & D CAPITAL CORP	$204,378.00
MCANDREWS RICHARD J	$71,779.00
MCCABE STEVENS CONSULTANTS	$18,000.00
MCCLAIN MFG CO INC	$52,775.00
MCDONALD PLUMBING CO	$121,450.00
MCFADDEN ELECTRONICS CO	$2,415.00
MCGONICAL BRUCE C & CO	$64,694.00
MCGRAIL EQUIPMENT CO INC	$686,147.00
MCKEE TRANE SERVICE AGENCY INC	$48,776.00
MCLAUGHLIN D L CO INC	$115,000.00
MCLEAN RESEARCH CENTER INC	$113,863.00
MCLECULON RESEARCH CORP	$50,000.00
MCMAHAN BROS DESK CO INC	$63,777.00
MCMINN NORFLEET WICKER & ASSOC INC	$58,581.00
MCQUAY PERFEX INC	$33,135.00
MEASUREMENT CONCEPT CORP	$428,734.00
MECHANICAL ENTERPRISES INC	$24,900.00
MEGAPULSE INC	$325,000.00
MEGATEK CORP	$59,416.00
MERCURY WIRE PRODUCTS INC	$14,310.00
MERIT INC	$24,950.00
MERRICK & CO ARCHITECTS & ENGRS	$15,028.00
METAL SERVICE CENTER OF GEORGIA	$16,940.00
METALSTAND CO	$13,480.00
METCUT RESEARCH ASSOCIATES INC	$391,034.00
METEOROLOGY RESEARCH INC	$75,000.00
METRAPLEX CORP	$61,560.00
METRIC SYSTEMS CORP	$4,465,034.00
METRO BOSTON CONTRACTING CO INC	$1,863,658.00
METROMEGA	$23,692.00
MICHIO IHARA	$30,000.00
MICOM SYSTEMS INC	$62,097.00
MICON SYSTEMS INC	$79,250.00
MICRO BASE CORPORATION	$35,659.00
MICRO SYSTEMS INC	$109,661.00

MICROCOM CORP	$54,739.00
MICRODYNE CORP	$249,540.00
MICROELECTRONICS ENGINEERING CORP	$569,589.00
MICROM CORP	$39,000.00
MID FLORIDA BOILER CO INC	$440,100.00
MIDWEST INDUSTRIAL PAINTING OF FLA	$39,444.00
MILFORD T CONSTRUCTION	$524,033.00
MILLER DISPOSAL INC	$23,482.00
MIRAX CHEMICAL PRODUCTS CORP	$218,858.00
MIRCROSOURCE FINANCIAL INC	$12,786.00
MISSION RESEARCH CORP	$4,615,782.00
MITCHELL CONSTRUCTION CO	$71,480.00
MOAULIFFE MECHNICAL INC	$23,884.00
MODERN SERVICES INC	$173,615.00
MOLECTRON CORP	$108,035.00
MONGEAU R R ENGINEERS	$96,430.00
MONTOYA CONSTRUCTION	$828,161.00
MORGAN & MANGIAGL	$23,675.00
MORGAN POWER APPARATUS CORP	$15,415.00
MORRIS E C / SONS	$83,444.00
MORSE PRODUCTS MFG CO	$10,303.00
MOTYCKA JAMES	$20,200.00

MOXON INC	$69,562.00
MUFFOLETTO OPTICAL CO INC	$74,060.00
MULTI SERVICE MAINTENANCE CORP	$968,573.00
N W F CONTRACTORS INC	$631,422.00
NANOFAST INC	$86,420.00
NATIONAL ELEVATOR CORP	$16,896.00
NATIONAL FENCE BUILDERS INC	$48,897.00
NATIONAL MICROSALES CORP	$19,920.00
NERO & ASSOCIATES	$6,349,489.00
NESEN ROBERT D & RANSOM WM	$98,671.00
NETWORK ANALYSIS CORP	$240,000.00
NETWORK SYSTEMS CORP	$205,740.00
NEW A E JR INC	$66,579.00
NEW BEDFORD FLOOR COVERING CO	$28,925.00
NEW ENGLAND DESIGN & CONST CORP	$125,255.00
NEW HAMPSHIRE SECURITY GUARD SVC	$183,805.00
NEW MEXICO CHEMICAL CORP	$18,023.00
NEW RESOURCES GROUP INC	$2,133,010.00
NEWPORT RESEARCH CORP	$36,514.00
NIAGARA SCIENTIFIC INC	$23,000.00
NICHOLS RESEARCH CORP	$266,368.00
NIELSEN ENGINEERING & RESEARCH CO	$284,469.00

NOMAD CONSTRUCTION CO	$147,000.00
NORDSKOG INDUSTRIES INC	$13,418.00
NORMAN ENGINEERING CO	$2,146,032.00
NORRIS AIR CONDITIONING CO	$389,448.00
NORTH COAST ELECTRIC CO	$77,143.00
NORTHEAST CONSTRUCTION CO	$2,298,400.00
NORTON DEL GALLO INC	$13,000.00
NUCLEAR METALS INC	$661,533.00
NURAD INC	$957,268.00
O A O CORP	$2,800,726.00
OAK BROOK MECHANICAL SERVICES	$79,367.00
OATES CONSTRUCTION & OATES O L JV	$53,998.00
OBERLIN JAMES A	$910,800.00
OBRIENS PAT APPLIANCE & TV	$33,869.00
OCTEK INC	$15,000.00
OKALOOSA ASPHALT ENTERPRISES INC	$1,813,607.00
OKALOOSA ROOFING CO	$17,704.00
OPERATING SYSTEMS INC	$132,244.00
OPHIR CORP	$18,763.00
OPTI METRICS INC	$20,000.00
OPTICAL COATING LABORATORY INC	$13,769.00
OPTICAL INFO SYSTEMS	$21,060.00
OPTICAL SCIENCE CONSULTANTS	$360,000.00
OPTIMIZATION SOFTWARE INC	$50,000.00
OPTRA INC	$48,378.00
OPTRON CORP	$32,790.00
ORION SYSTEMS INC	$21,919.00
ORLANDO TECHNOLOGY INC	$677,991.00
ORMOND INC	$42,960.00
ORNSBY W N ROOFING & CONSTRUCTION	$34,533.00
OVERHEAD DOOR CO OF ALBUQUERQUE	$34,367.00
OWEN GENERAL CONTRACTORS INC	$153,500.00
OWSLEY LUMBER CO	$44,750.00
P & L ELECTRIC INC	$82,956.00
P A R TECHNOLOGY CORP	$335,000.00
P D A ENGINEERING INC	$569,083.00
P T CONSTRUCTION & ELECTRICAL CO	$69,875.00
P X ENGINEERING CO INC	$108,283.00
PACIFIC APPLIED RESEARCH CORP	$129,717.00
PACIFIC EAGLE CONSTRUCTOR	$5,369,000.00
PACIFIC FURNITURE RENTALS INC	$19,140.00
PACIFIC SIERRA RESEARCH CORP	$325,940.00
PAGE HILL CORP	$23,400.00
PALISADES GEOPHYSICAL INSTITUTE	$18,099.00

PANAMA POOLS INC	$219,467.00
PANAMETRICS INC	$275,000.00
PAR TECHNOLOGY CORP	$2,438,850.00
PARADYNAMICS INC	$91,707.00
PARKE MATHEMATICAL LABORATORIES	$151,330.00
PARKERS MECHANICAL CONTRACTOR INC	$34,834.00
PATCHEN MINGLEDORFF & ASSOCS	$53,751.00
PATEL ENTERPRISES INC	$33,400.00
PATERAS PAINTING CO	$68,800.00
PATTERN ANALYSIS & RECOGNITION CO	$4,495,452.00
PECO ENTERPRISES INC	$96,951.00
PENSACOLA HARDWARE	$39,200.00
PEOPLES CONSTRUCTION CO INC	$217,199.00
PERCEPTRONICS INC	$54,805.00
PERRY & LEIGHTY INC	$20,600.00
PERSON SYSTEM INTERGRATION	$99,087.00
PERSONNEL DECISIONS INC	$4,139.00
PETTIBONE R L CO	$94,936.00
PHILLIPS ELECTRIC CO	$33,952.00
PHOENIX CHEMICAL LABORATORY INC	$50,000.00
PHOTO SONICS INC	$49,000.00
PHOTOMART	$12,135.00
PHOTOMETRICS INC	$303,945.00
PHOTON RESEARCH ASSOCIATES	$286,314.00
PHRASOR TECHNOLOGY	$51,239.00
PHYSICAL DYNAMICS INC	$19,910.00
PHYSICAL SCIENCES CORP	$745,863.00
PIONEER MARKETING CORP	$30,000.00
PLASMA KINETICS INC	$30,000.00
PLASTIC PACKAGING CORP OF ARIZONA	$26,820.00
PLASTICS RESEARCH CORP	$358,140.00
POLLUTION CONTROL SCIENCE INC	$23,180.00
POLYCHEM INTERNATIONAL INC	$16,200.00
POLYSCIENCES INC	$50,040.00
POMONA AIR INC	$44,982.00
POMPANO CONSTRUCTION CO INC	$15,817.00
PORTABLE ENERGY PRODUCSTS INC	$15,960.00
POTOMAC INDUSTRIAL TRUCKS INC	$80,415.00
POWELL ELECTRONICS INC	$15,164.00
POWELL GENE CO	$98,095.00
POWER CONVERSION SALES CO	$35,631.00
POWER ELECTRONICS ASSOCIATES INC	$106,927.00
PREFECT INC	$34,083.00
PRESTON SCIENTIFIC INC	$60,345.00

PRINCETON COMBUSTION RE LAB INC	$158,399.00
PRINCETON ELECTRONIC PRODUCTS INC	$19,400.00
PRITSKER & ASSOCIATES INC	$1,832,358.00
PROBE SYSTEMS INC	$67,313.00
PROCESSING RESEARCH INC	$177,483.00
PRODUCTION PLASTICS	$19,222.00
PRODUCTIVITY INTERNATIONAL INC	$149,996.00
PROGRAM CONTROL CORP	$1,232,169.00
PROPRIETARY SOFTWARE SYSTEMS INC	$193,543.00
PROSPECTIVE COMPUTER ANALYSTS INC	$492,557.00
PROTOTYPE DEVELOPMENT INC	$250,493.00
PURE AIRE CORP	$18,990.00
Q M I CORP	$145,550.00
QUALITY CRAFTS CO	$18,380.00
QUALITY FOAM PACKAGING INC	$17,721.00
QUALITY PLUS EQUIPMENT	$21,570.00
QUANTATEC INTERNATIONAL INC	$50,000.00
QUANTEX CORP	$107,541.00
QUANTUM DYNAMICS INC	$17,749.00
QUEST RESEARCH CORP	$1,404,727.00
QUESTRON CORP	$660,518.00
QUINTRON SYSTEMS INC	$3,703,445.00

R & D ASSOCIATES	$12,703,593.00
R & J ENTERPRISES	$10,554.00
R & R CUSTOM DRAPERIES	$28,663.00
R C DATA INC	$14,715.00
R C SEVEN UP CO OF MACON	$29,219.00
R D P INC	$75,000.00
R G B ASSOCIATES	$54,546.00
R H G ELECTRONICS LABORATORY INC	$97,020.00
R M CONSTRUCTION	$13,900.00
R W CONTRACTORS INC	$34,371.00
RADANT SYSTEMS INC	$30,000.00
RADAR SYSTEMS ENGINEERING INC	$82,535.00
RADEMAKER CORP	$57,798.00
RADEX CORP	$112,000.00
RADIATION MONITORING DEVICES INC	$60,000.00
RADIATION RESEARCH ASSOCIATES INC	$90,458.00
RAMAN AERONAUTICS INC	$24,985.00
RAMSAY PRODUCTS INC	$227,648.00CR
RAMTEK CORP	$61,243.00
RAND A CORP	$23,207.00
RAYBRO ELECTRIC SUPPLIES INC	$16,536.00
RAYCO PAINTING CO	$40,000.00

RAYMOND ENGINEERING INC	$192,003.00
REDLAKE CORP	$62,192.00
REDSTONE & OTTOMAN ARCHITECH	$83,215.00
REDWITZ RESEARCH CORP	$55,814.00
REED ALONZO B	$82,474.00
REFLECTONE INC	$4,581,048.00
REGENT JACK MFG CO INC	$387,568.00
REID RICHARD W ELECTRIC CO INC	$38,957.00
REL INC	$2,730,111.00
RESEARCH APPLICATIONS INC	$31,000.00
RESEARCH OPTICAL SYSTEMS INC	$11,200.00
RESEARCH SUPPORT INSTRUMENTS	$135,000.00
RESOURCES RESEARCH CORP	$168,376.00
RESPOND TECHNICAL CO	$444,615.00
RESPONSE ANALYSIS CORP	$75,000.00
REVERE ELECTRIC SUPPLY CO	$22,724.00
REYNOLDS INDUSTRIES INC	$105,000.00
RHEOMETRICS INC	$184,480.00
RICHMOND FURNITURE MFG CO	$58,200.00
RICO INC	$17,320.00
RIGOLI PACIFIC CO INC	$13,660.00
RIMCO INDUSTRIES	$910,319.00
RIO GRANDE ASSOCIATES INC	$211,000.00
RIVERS AIR CONDITIONING INC	$146,360.00
ROBBINS & KIRKLAND CONTRACTORS	$517,412.00
ROBERTS C W CONTRACTING INC	$86,169.00
ROBERTS RESEARCH LABORATORY	$23,940.00
ROCKCOR INC	$62,435.00
ROCKET RESEARCH CORP	$270,000.00
RODDING CLEANING MACHINES INC	$70,090.00
ROLAND COMMUNICATIONS INC	$28,935.00
ROME RESEARCH CORP	$1,808,460.00
RONDOUT ASSOCIATES	$310,611.00
ROSE ENGINEERING & RESEARCH INC	$14,625.00
ROSEN ELECTRICAL EQUIPMENT CO	$10,585.00
ROSENBAUM HAROLD ASSOCIATES INC	$93,723.00
ROTHE DEVELOPMENT INC	$626,484.00
RUSKA INSTRUMENT CORP	$84,200.00
RUSSTEK RESEARCH	$179,000.00
RUTHERFORD BOB CONSTRUCTION CO	$253,148.00
RUTHERFORD MAINTENANCE CO	$196,644.00
RUTLEDGE LINEN SUPPLY	$155,031.00
S & O AIR CONDITIONING INC	$324,481.00
S & S ELECTRONICS INC	$12,303.00

S & S PAINTING & MAINTENANCE	$10,543.00
S A I ENGINEERS INC	$13,800.00
S C S ENGINEERS	$47,000.00
S CUBED	$215,000.00
S D M CORP	$34,679.00
S O S INC	$7,171.00
SADTLER RESEARCH LABORATORIES INC	$13,063.00
SAFEGURAD TECHNOLOGY INC	$12,655.00
SAN VAL AIR CONDITIONING INC	$213,859.00
SANTA CRUZ CONSTRUCTION INC	$570,766.00
SANTA ROSA MFG CO	$17,425.00
SATTERLEE CO	$56,910.00
SATURN BUILDERS OF BREVARD INC	$173,906.00
SAXON B B CO INC	$1,699,079.00
SCHAFER W J ASSOCIATES INC	$616,668.00
SCHEMMER ASSOCIATES INC	$80,160.00
SCHMALENBERGER J A	$110,575.00
SCHONSTEDT INSTRUMENT CO	$63,900.00
SCHOOLEY CALDWELL ASSOC INC	$63,261.00
SCHWEIZER AIRCRAFT CORP	$897,796.00
SCIENTIFIC COMMUNICATIONS INC	$57,350.00
SCIENTIFIC MEASUREMENT SYSTEMS	$48,850.00
SCIENTIFIC RESEARCH ASSOCIATES	$37,710.00
SCIENTIFIC SIMULATION CONSULTANTS	$304,892.00
SCIENTIFIC SYSTEMS INC	$860,798.00
SCIENTIFIC TECH ASSOCIATES INC	$371,325.00
SCIPAR INC	$739,599.00
SCITRAN	$16,000.00
SCOTSMAN MOBILE LEASE CO	$149,129.00
SEACO ELECTRICAL SUPPLIES INC	$38,828.00
SEAWORTHY ENGINE SYSTEMS INC	$55,426.00
SEBASTIAN ROOFING & SHEET METAL	$12,400.00
SECOND SOURCE COMPUTER INC	$19,650.00
SEDCO SYSTEMS INC	$67,000.00
SELECTED MEAT PACKERS INC	$10,031.00
SELMAN BUILDERS INC	$31,000.00
SENTRY ALARM CO INC	$41,884.00
SEQUOIA RESEARCH CORP	$200,000.00
SETRA SYSTEMS	$130,529.00
SEYMOUR ELECTRIC SUPPLY CO	$52,350.00
SHANKLE J HAROLD CO INC	$82,127.00
SHANNON ENGINEERING	$45,071.00
SHARPE FENCE CO INC	$32,120.00
SHERMAN DISPOSAL CO	$109,000.00

SHIPCO GENERAL INC	$3,522,220.00
SIEG AMBACHTSHEER INC	$11,398.00
SIERRA GEOPHYSICS INC	$436,069.00
SIERRACIN SYLMAR	$3,809,318.00
SIGMA TAU STANDARDS CORP	$36,763.00
SIGNAL CONTRACTING INC	$68,399.00
SIGNAL SCIENCE INC	$42,000.00
SIGNAL TECHNOLOGY INC	$95,835.00
SIGNATRON INC	$885,422.00
SILIKAL NORTH AMERICA INC	$97,630.00
SIMULATION TECHNOLOGY INC	$102,891.00
SINACOLRI JOHN B ASSOCIATES	$148,000.00
SITE DEVELOPMENT INC	$69,700.00
SKYLARK NORTH	$26,160.00
SLAUGHTER & TRIMM ARCHITECTS & ENG	$48,430.00
SLOAN TECHNOLOGY CORP	$28,075.00
SMITH MARVIN CO	$19,438.00
SNOW MACHINES INC	$17,000.00
SOFTECH INC	$4,428,154.00
SOFTWARE & ENGINEERING ASSOCIATES	$308,692.00
SOHAR INC	$123,556.00
SOITEC INC	$316,990.00
SOLAR ELECTRICAL CONSTRUCTION CORP	$323,700.00
SOLAREX CORP	$19,433.00
SONATECH INC	$33,320.00
SONICRAFT INC	$16,432,625.00
SOUND COMMUNICATIONS INC	$17,600.00
SOUTH SHORE SANITATION CORP	$88,414.00
SOUTHERN GEAR & MACHINE INC	$23,963.00
SOUTHERN SYSTEMS INC	$12,500.00
SOUTHLAND CONSTRUCTION CO	$21,840.00
SOUTHWEST CONSTRUCTION	$96,000.00
SPACE DATA CORP	$3,314,048.00
SPACE MACHINE & ENGINEERING CORP	$11,047.00
SPACE MICROWAVE LABORATORIES INC	$19,500.00
SPACE VECTOR CORP	$718,135.00
SPEARS ASSOCIATES INC	$433,942.00
SPECIAL DEVICES INC	$89,730.00
SPECTRA RESEARCH SYSTEMS INC	$1,190,953.00
SPECTRAL SCIENCES INC	$20,000.00
SPECTRAN INC	$21,391.00
SPECTRON DEVELOPMENT LABORATORIES	$917,771.00
SPEEGLE CONSTRUCTION CO	$369,390.00
SPEISS CONSTRUCTION CO INC	$84,928.00

SPIRE CORP	$245,475.00
SPRINGBORN LABORATORIES INC	$20,000.00
STAFFCO CONSTRUCTION INC	$457,450.00
STAFFORD OUTDOOR EQUIPMENT INC	$206,100.00
STANDARD ENERGY ING	$56,770.00
STANDARD MFG CO	$1,978,811.00
STANFORD TELECOMMUNICATIONS INC	$1,340,879.00
STENOGRAPH CORP	$64,862.00
STERLING SYSTEMS INC	$265,000.00
STERN OFFICE FURNITURE INC	$76,001.00
STEVENS & VAN DYKE GARDEN CENTER	$21,867.00
STEVENS CO	$64,876.00
STEVENS CONSTRUCTION INC	$366,260.00
STILSON ALDEN E & ASSOCS LTD	$109,694.00
STOTT CHAS G & CO INC	$15,972.00
STOVALLS SECURITY SERVICE	$834,726.00
STRUCTUAL FINISHING INC	$92,574.00
SUNNYSLOPE ELECTRIC CO	$222,070.00
SUNRISE CONSTRUCTION INC	$30,595.00
SUNSHINE SERVICES INC	$296,634.00
SUPERIOR GENERAL CONTRACTORS INC	$13,817.00
SUPPORT SYSTEMS ASSOCIATES INC	$1,508,192.00
SYNECTICS CORP	$2,094,570.00
SYSTEM ENTERPRISES	$28,000.00
SYSTEMATICS GENERAL CORP	$46,200.00
SYSTEMS & APPLIED SCIENCES CORP	$6,790,559.00
SYSTEMS ARCHITECTS INC	$688,055.00
SYSTEMS CONTROL INC	$2,249,784.00
SYSTEMS EXPLORATION INC	$151,310.00
SYSTEMS PRODUCTIVITY & MGMT CORP	$52,369.00
SYSTEMS RESEARCH CORP	$97,981.00
SYSTEMS RESEARCH LABORATORIES INC	$124,946.00
SYSTEMS SCIENCE & SOFTWARE	$475,282.00
SYSTEMS TECHNOLOGY INC	$281,073.00
SYSTEMS TECHNOLOGY LABS INC	$210,734.00
SYSTONETICS INC	$26,872.00
SYSTRAN CORP	$1,118,193.00
T A I CORP	$27,294.00
T B S SERVICE CO INC	$1,163,822.00
T E & S ROOFING CO	$359,000.00
T N ELECTRICAL MOTOR CO	$18,784.00
TACHISTO INC	$34,850.00
TATE ENGINEERING INC	$14,302.00
TEAC CORP	$24,000.00

TECH REPS INC	$191,340.00
TECHNIC COMPUTER CORP	$15,080.00
TECHNICAL SERVICES LABORATORY	$120,710.00
TECHNICAL SPECIALTIES & SERVICE CO	$15,000.00
TECHNOLOGY DEVELOPMENT CORP	$3,802,033.00
TECHNOLOGY DEVELOPMENT OF CALIF	$1,386,641.00
TECHNOLOGY FOR COMMUNICATIONS INTL	$273,519.00
TECHNOLOGY INC	$1,568,782.00
TECHNOLOGY SERVICE CORP	$1,024,635.00
TECOLOTE RESEARCH INC	$47,893.00
TELCOM INDUSTRIES INC	$13,500.00
TELE SIGNAL CORP	$351,000.00
TELECOMMUNICATION TECHNIQUES CORP	$62,100.00
TELETRONICS LABORATORIES INC	$61,320.00
TEMPERTURE CONTROL CO	$72,560.00
TEMPESTA & SON	$239,721.00
TEMPLE ROBERT W CONTRACTOR	$545,465.00
TERRA TECHNOLOGY CORP	$75,732.00
TETRA SYSTEMS CORP	$123,642.00
TEXAS PAINTER CRAFT INC	$934,533.00
TEXAS PARTS & SERVICE CO	$12,025.00
TEXAS RESEARCH INSTITUTE INC	$62,000.00
TEXSCAN CORP	$192,195.00
THE DATA STORES INC	$21,000.00
THE PERLICK CO INC	$11,552.00
THE STONEHOUSE GROUP INC	$143,960.00
THERACORE INC	$74,483.00
THERMAL CONTROLS INC	$20,096.00
THERMAL SCIENCES INC	$22,224.00
THERMO CONTRACTING CORP	$59,500.00
THERMO CONTROL AIR CONDITIONING	$29,995.00
THERMO PAK BOILERS INC	$26,000.00
THERMOTRON CORP	$58,210.00
THOMAS A K CO	$63,097.00
THOMASON WELL DRILLING INC	$10,202.00
THOR RESEARCH	$30,398.00
THREE D B M INC	$99,318.00
THRESHOLD TECHNOLOGY INC	$47,983.00
THRUST HYDRAULICS	$18,703.00
THUNDERBIRD SALES CORP	$13,500.00
TIME & SPACE PROCESSING INC	$580,201.00
TIME SYSTEM TECHNOLOGY INC	$12,513.00
TIMEPLEX INC	$14,500.00
TITAN SYSTEMS INC	$95,679.00

TOMS COCOA ELECTRIC	$20,739.00
TORRES VICTOR P CONSTRUCTION	$54,654.00
TOTAL MAINTENANCE INC	$45,600.00
TRACTOR & EQUIPMENT CO INC	$33,968.00
TRAFFIC MARKING CO INC	$19,355.00
TRAK MICROWAVE CORP	$25,360.00
TRANE CO	$16,960.00
TRANSEMANTICS INC	$244,138.00
TRANSEND INC	$321,799.00
TRANSIT SERVICES INC	$454,336.00
TREND WESTERN TECHNICAL CORP	$3,319,904.00
TRI CON ASSOCIATES INC	$271,601.00
TRI TRONICS INC	$66,108.00
TRIAD MICROSYSTEMS INC	$1,316,284.00
TRIDENT DATA SYSTEM	$199,332.00
TRUE TIME INSTRUMENTS	$11,250.00
TRUMP INC	$328,236.00
TURNER DISPOSAL	$78,350.00
TURNKEY MATERIAL HANDLING INC	$19,568.00
TYBRIN CORP	$378,041.00
U B CORP	$15,000.00
U S CONTRACTING INC	$121,644.00

U S TURBINE CO	$30,112.00
UHL & LOPEZ ENGINEERS INC	$31,917.00
ULTRASYSTEMS INC	$1,044,596.00
UNGERMANN BASS INC	$72,630.00
UNI COPY OF NEW MEXICO	$28,679.00
UNISTRUT NEW MEXICO	$30,940.00
UNITED MECHNICAL CONTRACTORS	$426,595.00
UNITED RESEARCH CORP	$60,917.00
UNITEX INDUSTRIES	$15,147.00
UNIVERSAL BULDING CO	$337,612.00
UNIVERSAL CONTRACTORS INC	$36,517.00
UNIVERSAL ENERGY SYSTEMS INC	$2,609,012.00
UNIVERSAL PROPULSION CO	$18,573.00CR
UNIVERSAL TECHNOLOGY CORP	$2,706,292.00
UP RIGHT INC	$2,292,193.00
V I P PAINTING & SANDBLASTING CO	$91,220.00
V T I INC	$233,725.00
VAL TRONICS INC	$570,000.00
VALANT PAINTING CO	$22,750.00
VALLEY SCALE INC	$10,493.00
VALTRONICS INC	$544,056.00
VEDA INC	$899,661.00

VEHICLE RESEARCH CORP	$54,000.00
VEHICLE SYSTEMS DEVELOPMENT CORP	$100,000.00
VEN TEL INC	$105,750.00
VENTURE ELECTRIC	$21,812.00
VER VAL ENTERPRISES INC	$335,091.00
VERAC INC	$2,365,239.00
VERSAR INC	$13,299.00
VERSITRON INC	$112,082.00
VIBRATION SALES & SERVICES INC	$46,140.00
VIC LANE CONSTRUCTION INC	$349,513.00
VIKING MECHANICAL CONTRACTORS	$75,890.00
VIRGINIA TRACTOR CO INC	$214,786.00
VISIDYNE INC	$1,212,540.00
VOTAW PRECISION TOOL CO,INC	$336,719.00
VOYIAZIS BROS LTD	$36,000.00
VREULS RESEARCH CORP	$86,815.00
WALDINF CO	$369,745.00
WALKER JOHN M CO	$18,284.00
WALLACE B E PRODUCTS CORP	$34,972.00
WALLACE ROOFING CO INC	$83,333.00
WALSH JIM PLUMBING & HEATING	$10,150.00
WARREN DANNY R	$0.00
WASHINGTON PATROL SERVICE INC	$1,869,380.00
WATER & AIR RESEARCH INC	$135,475.00
WATSON PAVING INC	$18,850.00
WEATHER MEASURE CORP	$44,388.00
WEIDLINGER ASSOCIATES CONSULT ENGR	$632,665.00
WELLESLEY INSTRUMENT CORP	$14,800.00
WELLS ADGER SMITH INC	$26,723.00
WESSCO INC	$12,200.00
WEST COAST COMPUTER EXCHANG	$11,738.00
WEST LAND BUILDERS	$46,550.00
WESTERN ENGERY	$10,70[illegible].00
WESTERN REASEARCH CORP	$139,552.00
WESTERN TECHNICAL ASSOCIATES	$31,600.00
WESTON ROY F	$58,181.00
WESTPORT PAINTING CO INC	$16,398.00
WESTWOOD WHOLESALE ELECTRIC CO INC	$13,250.00
WHITAKER A P & SONS	$501,650.00
WICAT INC	$13,063.00
WIGGINS JOHN H CO	$861,315.00
WILLIAMS CHARLES G CONSTRUCTION CO	$131,500.00
WILLIAMS FENCE CO INC	$44,621.00
WILLIAMS H A & ASSOCIATES INC	$14,161.00

WILSON ASSOCIATES INC	$24,402.00
WILSON DOUG ENTERPRISES INC	$10,387.00
WILSON JIMMIE L PAINTING & DECORAT	$148,500.00
WINZEN INTERNATIONAL INC	$14,769.00
WOLKINS HENRY S CO	$11,116.00
WYLE LABORATORIES	$31,302.00
WYLIE CORP THE	$433,857.00
X A R INDUSTRIES INC	$781,000.00
XONTECH INC	$1,438,303.00
XYTEL CORP	$295,000.00
YOUMANS DOUGLAS	$17,500.00
ZEGER ABRAMS INC	$93,000.00
ZERCOM CORP	$10,756.00
ZETA DATA ENT INC	$12,276.00
ZYGO CORP	$82,760.00
TOTAL SMALL BUS	$468,033,589.00

(Fiscal Year 1981)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL BUS/,R(45,$$$$,$$$,$$9.99
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CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END REPORT
---
:GENERATE
 -473- NO ERRORS HAVE OCCURRED -
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OSWALT WH C114 EQ J AND C202 EQ 81:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200       -
                                                             $11,785.00
 A & B PAINT CONTRACTORS                                     $18,450.00
 A & K MAINTENANCE SERVICE INC                               $13,798.00
 A B C DECORATORS                                            $14,700.00
 A C CO                                                     $246,000.00
 A D L ENTERPRISES INC                                       $52,066.00
 A J FENCE CO                                                $24,109.00
 A M A F INDUSTRIES INC                                      $45,908.00
 A ONE DISPOSAL SERVICE                                     $149,625.00
 A ONE FENCE OF BREVARD INC                                  $21,900.00


 A R F PRODUCTS INC                                         $220,232.00
 ABBOTT MECHANICAL CONTRACTORS INC                           $28,000.00
 ABBOTT PRODUCTS INC                                        $502,332.00
 ABILITY BACKED CONTRACTING                                 $152,388.00
 ACCUMETRICS CORP                                           $100,620.00
 ACTION CRANE MAINTENANCE CORP                               $24,582.00
 ACTION MOBILE OFFICE RENTALS                               $148,716.00
 ACUREX CORP                                                $338,081.00
 ADAIR N G INC                                              $171,360.00
 ADAPT SERVICE CORP                                          $52,500.00
 ADAPTIVE OPTICS ASSOCIATES INC                             $453,000.00
 ADAPTRONICS INC                                             $86,970.00
 ADVANCED ABSORBER PRODUCTS INC                              $16,480.00
 ADVANCED INFORMATION & DECN SYS                            $363,550.00
 ADVANCED LOGISTICS MANAGEMENT INC                          $160,031.00
 AERO CHEM RESEARCH LABORATORIES                             $76,752.00
 AERODYNE RESEARCH INC                                    $1,045,984.00
 AERONAUTICAL RESEARCH ASSOCIATES                           $109,969.00
 AEROPHYSICS RESEARCH CORP                                   $99,778.00
 AEROSYSTEMS ASSOCIATES                                      $15,000.00
 AIR CONDITIONING ASSOCIATES INC                            $178,219.00
 AIRCO INC                                                   $15,000.00
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AIRFAN ENGINEERING CO	$23,800.00
ALAR PRODUCTS INC	$27,650.00
ALBUQUERQUE ASPHALT INC	$83,959.00
ALBUQUERQUE CHEMICAL CO INC	$33,678.00
ALLEN GLENN N	$21,769.00CR
ALLEN H V CO INC	$118,000.00
ALLIANCE ELECTRONICS	$26,990.00
ALLIED ELEVATOR CORP	$10,648.00
ALLIED ENG & PRODUCTION CORP	$953,347.00
ALPHA INFORMATION SYSTEMS	$24,750.00
ALPHA SOUTHWEST INC	$30,000.00
ALPHATECH INC	$695,508.00
AMALYTIC INFORMATION PROCESSING	$98,031.00
AMERICAN BUSINESS INTERIORS	$18,115.00
AMERICAN HEALTH FOUNDATION	$1,508,651.00
AMERICAN HOLOGRAPHIC INC	$45,000.00
AMERICAN MUTUAL PROTECTIVE BUREAU	$1,075,610.00
AMERICAN REPROGRAPHICS INC	$17,133.00
AMERICAN SCIENCE & ENGINEERING INC	$45,000.00
AMEX SYSTEMS INC	$3,125,281.00
AMHERST SYSTEMS INC	$40,000.00
ANALYSIS & COMPUTER SYSTEMS INC	$2,200,400.00

ANALYSIS & TECHNOLOGY INC	$157,000.00
ANALYTIC DECISIONS INC	$155,811.00
ANALYTIC SCIENCES CORP	$5,248,435.00
ANALYTICAL METHODS INC	$178,466.00
ANALYTICAL SCIENCES CORP	$55,500.00
ANALYTICAL SYSTEMS ENGR CORP	$5,314,634.00
ANALYTICS INC	$504,928.00
ANALYTYX ELECTRONICS SYSTEMS INC	$581,673.00
ANAMET LABORATORIES INC	$726,617.00
ANCHOR TANK LINING INC	$11,110.00
ANDERSEN LABORATORIES INC	$150,349.00
ANDERSON SYSTEMS INC	$15,210.00
ANDRULIS RESEARCH CORP	$25,000.00
ANGELO H & CO INC	$689,873.00
ANGELO HENRY & SONS	$172,500.00
ANTELOPE BUILDING MAINTENANCE	$351,806.00
ANTELOPE VALLEY ROFFING CO INC	$13,590.00
ANTHROPOLOGY RESEARCH PROJECT INC	$103,236.00
APPLICATION RESEARCH CORP	$854,000.00
APPLICATIONS RESEARCH CORP	$615,982.00
APPLICON INC	$839,220.00
APPLIED DEVICES CORP	$20,000.00

APPLIED ELECTRONIC RESEARCH CORP	$10,489.00
APPLIED RESEARCH ASSOCIATES	$43,184.00
APPLIED RESEARCH INC	$4,874,800.00
APPLIED SCIENCE ASSOCIATES INC	$428,622.00
APPLIED TECHNOLOGY ASSOCIATES INC	$515,633.00
ARCHITECTURAL CONCEPTS INC	$23,942.00
ARCON CORP	$455,725.00
ARGO SYSTEMS INC	$45,080.00
ARINC RESEARCH CORP	$1,735,530.00
ARK ELECTRONICS CORP	$50,750.00
ARMAMENT SYSTEMS INC	$385,738.00
ARNOLD AIR CONDITIONING	$528,194.00
ARNOLD BROS CONSTRUCTION INC	$430,573.00
ARROW ELECTRONICS INC	$12,950.00
ARROW JANITORIAL SERVICE	$554,621.00
ARTEC ASSOCIATES INC	$34,789.00
ASPHALT CONSTRUCTION CO INC	$500,039.00
ASSESSMENT SYSTEMS CORP	$293,725.00
ASSOCIATED TECHNOLOGY CONSULTANTS	$173,000.00
ASSUCITED PLUNBING & CONTRACTORS	$23,900.00
ASTRONAUTICS CORP OF AMER	$678,252.00
ATLANTA CONSTRUCTION & MAINTENANCE	$24,000.00
ATLANTIC RESEARCH CORP	$162,685.00
ATMOSPHERIC SCIENCE ASSOCIATES	$20,000.00
AUSTIN MICROWAVE CORP	$21,844.00
AUSTIN RESEARCH ASSOCIATES INC	$69,000.00
AUTOMATED FILING SYSTEMS INC	$42,108.00
AUTOMETRIC CORP	$398,524.00
AVIV CORP	$43,100.00
AZIZA POOL SERVICE & RENOVATION	$217,081.00
B & D ELECTRIC CO INC	$229,521.00
B & H MECHANICAL CONTRACTORS INC	$351,100.00
B & W SERVICE INDUSTRIES INC	$732,942.00
B F A CORP	$10,510.00
B J PAINTING & GENERAL CONST	$10,474.00
B K DYNAMICS INC	$35,105.00
BAKER CO INC	$18,666.00
BAKER SPARLING CONTRACTING CO	$82,400.00
BAMMAC INC	$60,450.00
BARCLAY D J & CO INC	$2,428,473.00
BARGES J M ELECTRIC CO	$13,925.00
BARKLEY & DEXTER INC	$14,349.00
BARNES ENGINEERING CO	$16,920.00
BASE TEN SYSTEMS INC	$150,326.00

BAY CITIES REFUSE SERVICE INC	$17,520.00
BEACHLER MARK ASSOCIATES	$16,195.00
BEARD EQUIPMENT CO	$38,460.00
BECKER JOHN A CO	$15,539.00
BEDFORD RESEARCH ASSOCIATES INC	$795,738.00
BEERS ASSOCIATES	$44,000.00
BEHAVIORAL TECHNOLOGY CONSUL INC	$19,379.00
BEMCO INC	$22,324.00
BENNICK P J CO	$56,990.00
BERKSHIRE CONSTRUCTION CORP	$3,040,000.00
BETAC CORP	$2,483,928.00
BETTER ENTERPRISES INC	$193,050.00
BFANM CORP	$41,627.00
BIG THREE CONTRACTING CORP	$108,980.00
BIONETICS CORP	$500,699.00
BIOSPHERICS INC	$270,388.00
BIRNS & SAWYER INC	$21,459.00
BLESSING WILFRED E F & ASSOC	$45,603.00
BOETTCHER H B & HARRIS WM A JV	$31,600.00
BOHANNA HUSTON & ASSOCIATES INC	$80,787.00
BOLT BERANEK & NEWMAN INC	$684,220.00
BOMBAY DEVELOPMENT	$87,459.00
BOMUR ELECTRIC CO INC	$741,909.00
BONAVIRE J J CO	$244,892.00
BORTON A WARREN CONTRACTOR	$82,120.00
BOSTON DIGITAL CORP	$215,729.00
BOW INDUSTRIES INC	$94,812.00
BOWIE INDUSTRIES INC	$11,407.00
BOYETT SEPTIC TANK SERVICE INC	$10,882.00
BOYETTS PORTABLE CHEMICAL TOILET	$91,163.00
BOYS ELECTRIC SERVICE INC	$354,424.00
BREVARD FENCE	$11,900.00
BRIEL RHAME POYNTER & HOUSER	$93,168.00
BROKENBOUGH WILLA PARTIES	$1,023,854.00
BROWN LANDSCAPE SERVICES CO	$56,900.00
BUCKNER CONSTRUCTION CO	$15,636.00
BURLINGTON TESTING CO	$12,948.00
BURTEK INC	$990,112.00
BUSHEE ENGINEERING CO INC	$14,684.00
BUTLER & CONSTR CO INC	$205,500.00
C & W FENCE CO	$132,305.00
C K S ENGINEERS INC	$124,469.00
C M TOWERS INC	$24,990.00
C N R INC	$831,779.00

C P T CORP	$418,409.00
C T INDUSTRIES INC	$13,980.00
CAAP CO INC	$100,000.00
CABLE EQUITIES INC	$27,807.00
CADCO	$15,855.00
CADRE CORP	$1,526,899.00
CAINS AIR CONDITION & REFRIG INC	$23,455.00
CALIFORNIA MICROWAVE INC	$15,111.00
CALIFORNIA RESEARCH & TECHNOLOGY	$72,200.00
CALIFORNIA SCIENTIFIC SYSTEMS	$42,545.00
CALTRONICS INDUSTRIES INC	$10,234.00CR
CAMAPS INC	$103,746.00
CAMBRIDGE COLLABORATIVE INC	$58,565.00
CAMBRIDGE DEVELOPMENT LABORATORY	$14,050.00CR
CAMPBELL O V & SONS INDUSTRIES INC	$18,843.00
CANOGA DATA SYSTEMS	$16,347.00
CANYON RESEARCH GROUP INC	$114,039.00
CAPSULATED SYSTEMS INC	$276,291.00
CAPUTO RALPH A CO	$144,750.00
CAR TED INDUSTRIES INC	$520,000.00
CARDENAS CONSTRUCTION CO	$11,754.00
CARMONE CORP	$52,324.00

CARREON ELECTRIC	$41,753.00
CARSON ALEXIOU CORP	$14,362.00
CARTWRIGHT ENGINEERING INC	$1,978,768.00
CASWELL EQUIPMENT CO INC	$33,925.00
CENTEC CONSULTANTS INC	$87,500.00
CENTENNIAL SYSTEMS INC	$34,145.00
CENTRAL BUTCHER SUPPLY CO INC	$12,612.00
CENTRO CORP	$181,667.00
CENTURY INDUSTRIES INC	$456,336.00
CERES CORP	$51,500.00
CHADBOURNE EDWARD M INC	$262,700.00
CHALCO ENGINEERING CORP	$972,940.00
CHANCE HAULING & PAVING CO	$47,044.00
CHASE F H INC	$11,973.00
CHEMETAL CORP	$28,800.00
CHEMEX PAINT & COATINGS INC	$11,305.00
CHEMICAL DYNAMICS CORP	$50,000.00
CHER CON	$101,728.00
CHOCTAWHATCHEE ELECTRIC COOP INC	$1,030,950.00
CHUCKS PORTA CHEMS	$13,959.00
CITY DIFFERENT CARPETS	$188,441.00
CLARENCE CONTROLS INC	$226,893.00

CLEAN GIANT INC	$78,000.00
CLEANCO CO	$671,122.00
CLEVELAND ENTERPRISES INC	$18,625.00
COAX STERISYSTEMS INC	$52,885.00
COBER ELECTRONICS INC	$205,000.00
COLLINS WARREN E INC	$23,760.00
COLONEY WAYNE H INC	$2,189,750.00
COM SER CO	$74,595.00
COMAR ENTERPRISES INC	$19,571.00
COMMERCIAL OFFICE FURNITURE CO INC	$52,230.00
COMMUNITRONICS CORP	$28,075.00
COMPTECH INC	$68,300.00
COMPTEK RESEARCH INC	$184,953.00
COMPUTER AIDED MFG INTERNATIONAL	$19,000.00
COMPUTER CORP OF AMERICA	$300,000.00
COMPUTER SOFTWARE ANALYSTS	$574,520.00
COMTECH DATA CORP	$31,850.00
CONCORDE INDUSTRIES INC	$143,116.00
CONSOLIDATED CLEANING CO	$38,940.00
CONSOLIDATED WIRE & ASSOC CORP	$13,558.00
CONSTRUCTION SERVICES	$40,854.00
CONTINENTAL ELECTRONICS MFG CO	$440,489.00
CONTINENTAL RESOURCES INC	$54,000.00
CONTINENTAL WESTERN WATER CONDITNG	$29,106.00
CONTRACT UNLIMITED INC	$15,380.00
CONTRAVES GOERZ CORP	$23,776.00
CONTROL DYNAMICS	$48,685.00
CORDIN CO	$13,203.00
CORPORATE SUPPLY CO	$42,658.00
CORRALES APPLIED PHYSICS CO	$23,957.00
CORVUS SYSTEMS INC	$594,388.00
COSMOS INDUSTRIES INC	$17,206.00
COSTELLO FREDERICK INC	$103,386.00
CREATIVE ELECTRIC INC	$77,389.00CR
CROWSON B R PAINTING CO	$29,480.00
CRYSTAL SPECIALTIES INC	$59,555.00
CYBERCHRON	$25,778.00
D B A SYSTEMS INC	$869,000.00
D C W INDUSTRIES	$60,995.00
D W A COMPOSITES SPECIALTIES INC	$49,966.00
DAEDALEAN ASSOCIATES INC	$58,183.00
DANIEL MFG CORP	$33,480.00
DANIELS MFG CORP	$592,500.00
DARDANELLA ELECTRIC CORP	$55,392.00

DATA ACCESS SYSTEMS INC	$105,891.00
DATA COMMUNICATIONS ASSOCIATES INC	$38,474.00
DATA DYNAMICS INC	$750,081.00
DATACOM INC	$480,962.00
DATAMART INC	$354,772.00
DATATEC INC OF FORT WALTON BEACH	$548,623.00
DATUM INC	$120,417.00
DAVENPORT PACKING CO INC	$843,440.00
DAVIS CONSTRUCTION CO	$179,252.00
DAYRON CORP	$425,000.00
DE BAGA C CONSTRUCTION CO	$113,527.00
DE YOUNG E C CONSTRUCTION CO	$1,144,475.00CR
DECILOG INC	$40,712.00
DECISION SCIENCE APPICATIONS INC	$681,142.00
DECISION SCIENCE INC	$54,469.00
DECISIONS & DESIGNS INC	$375,000.00
DEL JEN INC	$1,425,445.00
DELTA MICROWAVE CORP	$22,300.00
DEPARTMENT OF COMMERCE	$588,778.00
DESERT CONSTRUCTION CO	$10,832.00
DESIGN ENGINEERING LABORATORY INC	$52,089.00
DEVELOPMENTAL SCIENCES INC	$3,200,000.00

DIAMOND B BODY & TRAILER CORP	$34,550.00
DIGICOMP RESEARCH CORP	$715,070.00
DIGITAL DECISION SYSTEMS INC	$18,730.00
DIGITAL PROGRAMMING SERVICES INC	$142,761.00
DIKEWOOD INDUSTRIES INC	$1,211,370.00
DIVERSIFIED RESEARCH INC	$190,000.00
DIXIE COATING CO	$99,588.00
DOLCH LOGIC INSTRUMENTS	$14,938.00
DONAHUE MAINTENANCE CO	$12,348.00
DOURON	$11,058.00
DRIMAKIS GUS PAINTING	$10,608.00
DUNN HOMER L DECORATING	$106,678.00
DYNA EAST CORP	$183,096.00
DYNAMIC CONTROLS CORP	$280,150.00
DYNAMICS ENGINEERING INC	$96,312.00
DYNAMICS RESEARCH CORP	$504,800.00
DYNASTAT CORP	$88,251.00
DYNATECH DATA SYSTEMS	$13,305.00
DYNETICS INC	$517,792.00
E & M AIRCRAFT PAINTING	$19,599.00
E I C INC	$98,129.00
E J A CONSTRUCTION INC	$150,974.00

E M SYSTEMS	$17,500.00
E Z CONSTRUCTION CO	$16,316.00
EAGLE TECHNOLOGY INC	$15,229.00
EARTH SCAPES INC	$232,050.00
ECONOMICS TECHNOLOGY ASSOC	$342,058.00
EDAW INC	$10,000,000.00
EDMONDS ELECTRONIC CO	$23,000.00
EDUCATIONAL COMPUTER CORP	$1,975,000.00
EFRATOM SYSTEMS CORP	$50,000.00
EIKONIX CORP	$200,204.00
EL SEGUNDO SOLID WASTE CO INC	$30,572.00
ELECTRIC MACHINERY MFG CO	$479,752.00
ELECTRICAL SUPPLY CO INC	$10,540.00
ELECTRO MAGNETIC APPLICATIONS INC	$48,409.00
ELECTRO MECH COMPONENTS INC	$29,800.00
ELECTRO SPACE SYSTEMS INC	$1,847,176.00
ELECTRONIC ASSOCIATES INC	$61,080.00
ELECTROSPACE CORP	$26,400.00
ELECTROSPACE SYSTEMS INC	$248,250.00
ELK RIVER PUBLIC UTILITY DISTRICT	$2,137,016.00
ELLIS ROOFING CO	$19,531.00
EMPIRE PIPE CLEANING & EQUIP INC	$84,526.00
ENERGY MACHINERY CO	$41,940.00
ENERGY SYSTEMS MAINTENANCE INC	$28,439.00
ENGINEERING INC	$629,700.00
ENGINEERING SCIENCE INC	$1,016,586.00
ENSCO INC	$100,816.00
ENTERPRISE ELECTRIC CO	$132,000.00
ENVIRONMENTAL ASEPTIC SVS ADMN	$154,598.00
EPSILON LABORATORIES INC	$107,040.00
ERNIES CONSTRUCTION CO INC	$70,000.00
ERTEC WESTERN INC	$18,843,500.00
EVERDEAN CONSTRUCTION CORP	$63,000.00
EXTRANUCLEAR LABORATORIES INC	$132,326.00
F M CONSTRUCTION CO	$22,400.00
F X C CORP	$1,751,658.00
FACILITIES SYSTEMS ENGINEERING CO	$41,555.00
FAILURE ANALYSIS ASSOCIATES	$58,938.00
FALLS JANITORIAL SERVICE INC	$949,429.00
FARMER CORP	$19,100.00
FARNSWORTH CANNON INC	$139,651.00
FARRAND OPTICAL CO INC	$90,000.00
FEDERAL BOILER CO INC	$11,721.00
FEDERAL BUILDERS INC	$24,950.00

FERRIELL HOWARD & SONS INC	$234,559.00
FERRY PASS LUMBER CO	$23,922.00
FIBER MATERIALS INC	$86,364.00
FICKEL JACK E	$23,994.00
FIDELITY CONSTRUCTION CO INC	$24,400.00
FINGERMATRIX INC	$131,425.00
FIRE RESEARCH CORP	$94,910.00
FIRST ANN ARBOR CORP	$651,218.00
FISCHER & WHITE CONTRACTORS INC	$72,500.00
FITZGERALD ROOFING CO INC	$63,920.00
FLECKINGER REFUSE INC	$188,932.00
FLEX Y PLAN INDUSTRIES INC	$41,162.00
FLIGHT DYNAMICS RESEARCH CORP	$93,588.00
FLIGHT REFUELLING LTD	$240,000.00
FLIGHT RESEARCH INC	$73,188.00
FLINCHUM CONSTRUCTION CO INC	$685,641.00
FLORIDA ELECTRIC SYSTEMS	$18,659.00
FLORIDA GENERAL CONTRACTORS INC	$417,788.00
FLOW RESEARCH INC	$222,779.00
FLOW SIMULATIONS INC	$39,400.00
FLOW TECHNOLOGY INC	$31,500.00
FLUID POWER CONTROLS	$28,200.00
FLUIDYNE ENGINEERING CORP	$25,000.00
FORD UNIVERSAL CARPET CO	$119,960.00
FOREST HOME CENTER	$21,344.00
FORT WALTON COMMUNICATIONS INC	$93,592.00
FREEDOM FOODS INC	$366,872.00
FREQUENCY ELECTRONICS INC	$52,000.00
FREQUENCY SOURCES	$70,652.00
FROST ENGINEERING DEVELOPMENT CORP	$352,996.00
GAERTNER RESEARCH INC	$402,185.00
GAGLIARDI SYSTEMS GROUP INC	$599,959.00
GALILEO ELECTRO OPTICS CORP	$340,170.00
GANDALF DATA INC	$26,850.00
GARTNER HARF CO	$733,214.00
GASSER CHAIR CO INC	$41,388.00
GEARHART INC D B A GEARHART & SPIV	$70,810.00
GEEENWAY RODNEY H INC	$300,000.00
GEMINI ASSOCIATES	$17,952.00
GENERAL APPLIED SCIENCE LABS INC	$116,647.00
GENERAL CONTRACTORS CO	$589,331.00
GENERAL IMAGE ENGINEERING CORP	$25,000.00
GENERAL RADIATION CORP	$26,856.00
GENTEX CORP	$944,081.00

GEODYNAMICS CORP	$734,000.00
GEOMIT TECHNOLOGIES INC	$59,717.00
GEOTEL INC	$956,422.00
GERMANTOWN LABORATORIES INC	$32,589.00
GIERLICK MITCHELL INC	$15,438.00
GIL INC	$14,200.00
GIORGIO FOODS INC	$11,880.00
GLASS DOCTOR THE	$261,687.00
GLENAIR INC	$18,153.00
GLENCO STEEL CORP	$30,638.00
GLOBE CORP	$99,557.00
GLOBE TAILORING CO	$35,531
GOLDBERG RICHARD J C CO INC	$384,709.00
GOLDEN HILLS MOTEL	$61,000.00
GOODMANS INC	$97,649.00
GOODRICH ENGINEERING CORP	$192,000.00
GOODRICH ROOFING CO	$381,055.00
GOODY CLANCY & ASSOCIATES INC	$23,060.00
GOULD INC	$554,385.00
GOVERNMENT CONTRACTORS INC	$1,601,694.00
GOVERNMENT MARKETING SERVICES INC	$557,776.00
GRANADA GREASE CO	$11,970.00
GRAY LIFT INC	$16,962.00
GREAT HAWAIIAN DESIGN TEAM THE	$33,708.00
GREENLEAF TELESCA ARCH & ENGR	$17,856.00
GREER ELECTRIC CO INC	$29,438.00
GRIECCI BROS CONSTRUCTION CORP	$100,600.00
GULF COAST PAPER CO	$17,520.00
H & C CONTRACTING CO	$10,950.00
H & H ELECTRIC CO	$15,193.00
H C P SYSTEMS	$41,347.00
H H AEROSPACE DESIGN CO INC	$30,000.00
H S S INC	$197,869.00
H T L INDUSTRIES INC	$164,126.00
HALCYON COMMUNICATIONS INC	$15,618.00
HALE J R CONTRACTING CO INC	$384,816.00
HALIFAX MACHINERY INC	$32,075.00
HALLERS AIR CONDITION MAINT & ENGR	$10,301.00
HALLMARK ELECTRONICS CORP	$20,113.00
HANSON R A CO INC	$9,272,818.00
HARDIGG INDUSTRIES INC	$13,082.00
HARNACK JOHN L & ASSOCIATES	$14,690.00
HARPERS OF CALIFORNIA	$132,521.00
HARTEC ENTERPRISES INC	$150,000.00

HASKON INC	$10,400.00
HEALTH CARE SERVICES INC	$54,678.00
HEATRON INC	$93,344.00
HENDERSON ELECTRIC HEAT & AIR CONT	$22,634.00
HENDERSON JACK B CONSTRUCTION CO	$1,719,991.00
HENNINGSTON DURHAM RICHARDSON	$52,420.00
HERKENHOFF GORDON & ASSOCS INC	$50,900.00
HERSH ACOUSTICAL ENGINEERING	$15,000.00
HI VOLTAGE COMPONENTS INC	$12,313.00
HIGGINS AULD - ASSOCIATES	$160,487.00
HIGHER ORDER SOFTWARE INC	$1,300,000.00
HINKLEY J R & ASSOCIATES	$170,538.00
HOBBS CONSTRUCTION & DEVELOPMENT	$80,671.00
HOLLEY ELECTRIC CO	$210,140.00
HOLT SPECIALTY EQUIPMENT CO	$10,720.00
HOMESTEAD TOOL & MACHINE INC	$50,000.00
HOUSE OF CARPET	$10,950.00
HOUSEKEEPERS MAINTENANCE SERVICE	$436,222.00
HOYLE TANNER & ASSOCIATES	$21,646.00
HUDSON VALLEY PURCHASING INC	$12,785.00
HUGGINS CONSTRUCTION CO	$17,990.00
HUGHES AIRCRAFT CO	$196,970.00
HUGO CONSTRUCTION CO INC	$134,537.00
HUMAN DESIGNED SYSTEMS INC	$21,750.00
HUMAN ENVIRONMENT RESEARCH CORP	$199,331.00
HYCOR INC	$102,475.00
HYDROQUAL INC	$38,724.00
I & E CONSTRUCTION CO INC	$38,460.00
I R T CORP	$2,431,892.00
I S I GROUP INC	$23,790.00
IDETIK CORP	$57,694.00
IMPERIAL AIR CONDITIONING CORP	$13,250.00
IMPERIAL PROFESSIONAL COATINGS	$33,472.00
INCO INC	$4,567,999.00
INCOSYM INC	$43,757.00
INDEPENDENT CONTRACTORS INC	$18,410.00
INDUSTRIAL CONTRACTORS INC	$16,357.00
INDUSTRIAL MAINTENANCE SERVICE INC	$543,490.00
INFO SYSTEMS INC	$54,954.00
INFORMATION DEV & APPLICATIONS	$13,154.00
INFORMATION INDEX INC	$11,947.00
INFORMATION INTERNATIONAL INC	$28,737.00
INFOTEC DEVELOPMENT INC	$99,000.00
INPUT OUTPUT COMPUTER SERVICES INC	$821,350.00

INSTRUMENTATION MARKETING CORP	$80,510.00
INSTRUMENTS FOR INDUSTRY INC	$17,980.00
INTEGRATED CIRCUIT ENGR CORP	$70,000.00
INTEGRATED SYSTEMS INC	$55,500.00
INTELLIGENT SYSTEMS CORP	$13,827.00
INTEQ INC	$328,445.00
INTER ALIA INC	$19,322.00
INTER CON SECURITY SYSTEMS	$1,013,960.00
INTERACTIVE SYSTEMS INC	$593,627.00
INTERIOR PLANNING ASSOCIATES	$71,070.00
INTERMAGNETICS GENERAL CORP	$39,449.00
INTERMEM CORP	$69,840.00CR
INTERMETRICS INC	$1,588,037.00
INTERNATIONAL APPLIED PHYSICS INC	$71,000.00
INTERNATIONAL COMPUTING CO	$1,199,706.00
INTERNATIONAL POWER MACHINES CORP	$96,900.00
INTRELEX CORP	$26,200.00
INTROL CORP	$135,388.00
IRVINE SENSORS CORP	$799,624.00
J & J MAINTENANCE INC	$853,113.00
J & J TECHNOLOGIES INC	$40,000.00
J & S ELECTRIC CO INC	$63,093.00

J M C CONSTRUCTORS INC	$168,035.00
J W M CORP	$4,650,739.00
JANSON MARKETING CO	$44,090.00
JAWITZ STEVEN E GENERAL CONTRACTOR	$20,649.00
JAYCOR	$85,971.00
JIMMYS FOODS INC	$34,784.00
JOBEAR INC	$579,059.00
JODON ENGINEERING ASSOCIATES INC	$11,625.00
JOHNSON LANCASTER INC	$23,800.00
JONES FLOOR COVERING INC	$19,076.00
JONES L M PAINTING & CONTRACTING	$24,650.00CR
JUMP SHACK INC	$52,929.00
K & S ELECTRIC INC	$147,993.00
K V B INC	$17,120.00
KANNER LEO ASSOCIATES	$367,162.00
KARAGZIAN & CASE STRUCTURAL ENGNRS	$294,686.00
KECO INDUSTRIES INC	$936,264.00
KENNARD DELAHOUSIE & GAULT	$104,740.00
KENNEDY FRANK A INC	$32,664.00
KENNEDY JENKS ENGINEERS INC	$54,000.00
KENNEY N B CO	$11,800.00
KENT W W	$20,868.00

KEO CONSULTANTS	$25,000.00
KIMBALL PHYSICS INC	$48,510.00
KINETIC BUILDERS INC	$119,419.00
KINGS BOILER & WELDING	$36,850.00
KINTON INC	$452,323.00
KIRCHDORFER SKIP INC	$1,577,739.00
KLEIN ASSOCIATES	$43,529.00
KODE INC	$122,700.00
KOLESSIDES NICHOLAS J	$68,814.00
KOZIN BOGDANOFF & ASSOC INC	$61,053.00
KRAMER TRENTON CO	$11,984.00
KTECH CORP	$339,843.00
KULITE SEMICONDUCTOR PRODUCTS INC	$17,920.00
KURAS ALTERMAN CORP	$647,907.00
L GARDE INC	$35,000.00
L N R COMMUNICATIONS INC	$319,095.00
LAIRD TELEMEDIA INC	$11,267.00
LAKE SHORE CRYOTRONICS INC	$58,000.00
LANCASTER PLUMBING SUPPLIES INC	$11,405.00
LANCER INDUSTRIES INC	$275,237.00
LANE CONSTRUCTION CORP	$71,943.00
LARSE CORP	$23,210.00
LASWELL PLUMBING & HEATING CONTRS	$45,805.00
LAURIS H J CO	$256,018.00
LAVIS JOHN R	$14,469.00
LE RICH CONSTRUCTORS INC	$439,340.00
LEISURE TYME RV	$13,739.00
LEMON & MEGGINSON	$33,010.00
LEVIN PORTER SMITH INC	$16,984.00
LIBERTY PAINTING CO	$43,700.00
LIBERTY SCIENTIFIC INC	$11,734.00
LIFE SUPPORT SYSTEMS INC	$318,108.00
LIGHTNING LOCATION & PROTECTION IN	$31,250.00
LINE POWER INC	$122,600.00
LINKABIT CORP	$2,904,835.00
LISKEY ARCHITECTURAL SYSTEMS INC	$21,978.00
LITKENHAUS R A & ASSOCIATES INC	$13,580.00
LOCUS INC	$148,836.00
LOGICON INC	$15,693,597.00
LOGIMETRICS INC	$504,000.00
LONE MOUNTAIN CONTRACTING INC	$395,699.00
LONG & WATERS ASSOCIATES	$45,729.00
LOONEY L W & SON MACHINE SHOP MFG	$924,719.00
LORD & SON	$963,485.00

LORENZ & WILLIAMS INC	$49,266.00
LOS ALAMOS TECHNICAL ASSOCIATES	$711,368.00
LUNDY ELECTRICS & SYSTEMS INC	$109,354.00CR
LUTECH INC	$160,000.00
M B ASSOCIATES	$215,602.00
MAC AULAY BROWN INC	$675,367.00
MACNEAL [illegible]ENDLER CORP	$22,756.00
MALONE F M JR ENTERPRISES INC	$71,598.00
MANAGEMENT CONSULTING & RESEARCH	$74,378.00
MANDEX INC	$30,795.00
MANLABS INC	$184,575.00
MANTECH INTERNATIONAL CORP	$404,682.00
MANTECH OF NEW JERSEY INC	$667,932.00
MARATHON LEASE PLAN INC	$13,680.00
MARCON INDUSTRIES INC	$441,029.00
MARK CONSTR CO & MCMAHAN CONSTR JV	$26,468.00
MARK RESOURCES INC	$423,803.00
MARKET REFRIGERATION	$58,735.00
MARSHALL E L COATINGS	$154,655.00
MARTIN C CO INC	$149,478.00
MARTYS TREE SERVICE	$17,300.00
MASSACHUSETTS COMPUTER ASSOCIATES	$34,250.00
MATERIAL DEVELOPMENT CORP	$18,095.00
MATERIALS CONCEPTS INC	$60,000.00
MATERIALS RESEARCH LABORATORY INC	$44,917.00
MATERIALS SCIENCES CORP	$51,528.00
MATERIALS TESTING EQUIPMENT CORP	$21,260.00
MATHEMATICAL SCIENCE NORTHWEST INC	$102,502.00
MAXWELL LABORATORIES INC	$1,564,720.00
MAYHEW CO	$57,269.00
MCBAIN INSTRUMENT CO	$119,662.00
MCCAA NEAL CONTRACTORS INC	$60,891.00
MCCABE STEVENS CONSULTANTS	$20,000.00
MCKINNIE W T GENERAL CONTRACTORS	$19,297.00
MCLEAN RESEARCH CENTER INC	$230,000.00
MCMILLEN MECHANICAL INC	$172,120.00
MEADE LABORATORIES	$22,600.00
MEASUREMENT CONCEPT CORP	$949,789.00
MEGAPULSE INC	$201,122.00
MEGATEK CORP	$96,446.00
MEMISTOR CORP	$18,638.00
MERCURY BLDG MAIN SAV WAY DISPOSAL	$18,000.00
MERCURY WIRE PRODUCTS INC	$901,548.00
MERET INC	$48,224.00

METAL SUPPLY CO	$11,197.00
METCUT RESEARCH ASSOCIATES INC	$565,000.00
METEOROLOGY RESEARCH INC	$50,563.00
METERCRAFT CORP	$18,135.00
METRIC SYSTEMS CORP	$7,743,460.00
METRO BOSTON CONTRACTING CO INC	$76,797.00
METROMEGA	$15,874.00
MICON INC	$16,600.00
MICRO BASE CORPORATION	$69,500.00
MICRO TEL CORP	$113,000.00
MICROCOM CORP	$45,000.00
MICRODYNE CORP	$161,470.00
MICROELECTRONICS ENGINEERING CORP	$35,000.00
MIDDLESEX PAVING INC	$24,987.00
MIDWEST INDUSTRIAL PAINTING OF FLA	$38,700.00
MILFORD T CONSTRUCTION	$179,527.00
MILLER DISPOSAL INC	$140,391.00
MILLWRIGHT GENERAL CONTRACTORS INC	$346,418.00
MILTONS CARPET SERVICE	$11,214.00
MING INTERNATIONAL	$10,417.00
MIORELLI JOSEPH & CO INC	$109,219.00
MIRAX CHEMICAL PRODUCTS CORP	$142,893.00

MISSION RESEARCH CORP	$4,062,569.00
MITCHELL CONSTRUCTION CO	$858,790.00
MODERN MACHINERY ASSOCIATES INC	$42,360.00
MOLECTRON CORP	$125,850.00
MOORE & COWART CONTRACTORS INC	$59,242.00
MOOREHEAD ENGINEERING CO INC	$10,500.00CR
MORRIS E C / SONS	$18,100.00
MOXON INC	$179,125.00
MUFFOLETTO OPTICAL CO INC	$25,000.00
MULTI SERVICE MAINTENANCE CORP	$801,632.00
N W F CONTRACTORS INC	$1,126,733.00
NATIONAL ELEVATOR CORP	$16,632.00
NATIONAL INTERIORS INC	$47,600.00
NEAL F N INC	$54,800.00
NEFF INSTRUMENT CORP	$94,387.00
NELSON JACK A GENERAL CONTR INC	$192,900.00
NERO & ASSOCIATES	$5,273,915.00
NESEN ROBERT D & RANSOM WM	$53,405.00
NETWORK ANALYSIS CORP	$1,071,185.00
NETWORK SYSTEMS CORP	$132,324.00
NEW BEDFORD FLOOR COVERING CO	$123,488.00
NEW ENGLAND GROCER SUPPLY CO	$10,344.00

NEW HAMPSHIRE SECURITY GUARD SVC	$317,411.00
NEW MEXICO CHEMICAL CORP	$16,306.00
NEW WORLD CONSTRUCTION CO	$22,955.00
NICHOLS RESEARCH CORP	$45,419.00
NIELSEN ENGINEERING & RESEARCH CO	$148,676.00
NORMAN ENGINEERING CO	$2,967,590.00
NORTH COAST ELECTRIC CO	$12,285.00
NU TECH INDUSTRIES INC	$50,000.00
O A O CORP	$1,774,583.00
O R I INC	$45,505.00
OBERLIN JAMES A	$647,390.00
OBRIEN KEN & ASSOCIATES	$44,970.00
OCTEK INC	$31,000.00
OKALOOSA ASPHALT ENTERPRISES INC	$171,794.00
OKALOOSA ROOFING CO	$23,070.00
OMNITEK INC	$54,552.00
OPERATING SYSTEMS INC	$429,348.00
OPHIR CORP	$30,000.00
OPTICAL SCIENCE CONSULTANTS	$285,000.00
ORBIS CORP	$13,000.00
ORINCON CORP	$161,873.00
ORLANDO TECHNOLOGY INC	$1,182,691.00

ORLOC	$15,000.00
ORMABY W N ROOFING & CONST CORP	$157,000.00
ORNSBY W N ROOFING & CONSTRUCTION	$316,690.00
ORONCO CONSTRUCTUON CO	$18,500.00
P & L ELECTRIC INC	$34,275.00
P A R TECHNOLOGY CORP	$170,000.00
P D A ENGINEERING INC	$522,929.00
P E SYSTEMS INC	$228,256.00
P J R ENTEPRISES INC	$262,124.00
P P G INDUSTRIES INC	$32,000.00
P T CONSTRUCTION & ELECTRICAL CO	$79,275.00
PACIFIC RESEARCH & DEVELOPMENT	$14,250.00
PACIFIC SIERRA RESEARCH CORP	$676,997.00
PADDOCK GUNITE POOLS LTD INC	$49,600.00
PANAMETRICS INC	$154,533.00
PANDALAI COATINGS CO	$32,661.00
PAR TECHNOLOGY CORP	$846,072.00
PARABAM INC	$16,800.00
PARAMETRICS INC	$32,451.00
PARKE MATHEMATICAL LABORATORIES	$122,000.00
PARSONS RALPH M CO INC	$88,715.00
PARTICLE MEASURING SYSTEMS	$44,640.00

PATTERN ANALYSIS & RECOGNITION CO	$6,402,451.00
PAYNE INC	$93,008.00
PECO ENTERPRISES INC	$42,491.00
PENT PAUL ENTERPRISES INC	$59,764.00
PEOPLES CONSTRUCTION CO INC	$712,886.00
PERCEPTRONICS INC	$82,660.00
PERIOD INC	$47,745.00
PHASE R CORP	$20,903.00
PHIYSICS APPLICATIONS INC	$29,749.00
PHOENIX CHEMICAL LABORATORY INC	$42,477.00
PHOENIX DAWN CORP	$18,000.00
PHOTO SONICS INC	$238,175.00
PHOTOMETRICS INC	$293,856.00
PHOTON RESEARCH ASSOCIATES	$219,451.00
PHRASOR TECHNOLOGY	$139,310.00
PHYSICAL DYNAMICS INC	$102,452.00
PHYSICAL SCIENCES CORP	$815,777.00
PLANNED SYSTEMS INTERNATIONAL INC	$14,893.00
PLANNING SYSTEMS INTERNATIONAL INC	$49,997.00
PNEUMO PRECISION INC	$300,528.00
POLARAD ELECTRONICS CORP	$21,777.00
POLLUTION CONTROL SCIENCE INC	$74,500.00

POLYCHEM INTERNATIONAL INC	$47,300.00
POMPANO CONSTRUCTION CO INC	$200,723.00
PORTSMOUTH HARDWARE & BLDG SUPPLY	$18,110.00
POWER ELECTRONICS ASSOCIATES INC	$110,413.00
PREFECT INC	$120,841.00
PREMIER WATERPROOFING CO	$50,905.00
PRESSURE SYSTEMS INC	$36,800.00
PRINCETON COMBUSTION RE LAB INC	$43,351.00
PRO MECH MECHANICAL CO INC	$27,961.00
PROBE SYSTEMS INC	$200,000.00
PROCESSING RESEARCH INC	$87,000.00
PRODUCTS OF ALUMINUM MFG CO INC	$21,989.00CR
PROFESSIONAL CONSTRUCTION SERVICES	$186,640.00
PROGRAM CONTROL CORP	$504,755.00
PROPRIETARY SOFTWARE SYSTEMS INC	$510,096.00
PROTEON ASSOCIATES	$61,801.00
PROTOTYPE DEVELOPMENT INC	$524,651.00
QUALITY INN SHALAKO	$17,527.00
QUALITY PAINTING & DECORATING INC	$15,475.00
QUANTAMETRIC DEVICES INC	$24,400.00
QUANTEL INTERNATIONAL	$64,305.00
QUANTEX CORP	$40,605.00

QUANTUM DYNAMICS INC	$41,645.00
QUEST RESEARCH CORP	$833,297.00
QUESTRON CORP	$1,280,291.00
QUINTRON SYSTEMS INC	$6,809,948.00
R & D ASSOCIATES	$5,156,142.00
R & N TREE SERVICE	$44,415.00
R D P INC	$97,000.00
R H G ELECTRONICS LABORATORY INC	$74,305.00
R P C INDUSTRIES	$93,753.00
RADEX CORP	$248,970.00
RAMSAY PRODUCTS INC	$314,933.00
RANDALL RESEARCH	$1,490,000.00
RAPP SYSTEMS CORP	$77,110.00
RAVEN INDUSTRIES INC	$130,240.00
RAYCO PAINTING CO	$195,000.00
RAYMER CONSTRUCTION	$90,730.00
RAYMOND ENGINEERING INC	$40,000.00
READY REPRODUCTIONS INC	$28,500.00CR
REDLAKE CORP	$17,122.00
REDWITZ RESEARCH CORP	$55,221.00
REED ALONZO B	$48,990.00
REED CURTIS R	$41,400.00

REFLECTONE INC	$6,937,154.00
REHRIG INDUSTRIES	$21,045.00
RESEARCH APPLICATIONS INC	$76,236.00
RESEARCH INC	$26,883.00
RESEARCH OPTICAL SYSTEMS INC	$27,800.00
RESEARCH SUPPORT INSTRUMENTS	$80,000.00
RESOURCES RESEARCH CORP	$141,305.00
RESPOND TECHNICAL CO	$484,889.00
REUHR AIR CONDITIONING INC	$20,873.00
RICHARD J A GROUP INC	$268,881.00
RICHARDSON CO THE	$88,638.00
RIGOLI PACIFIC CO INC	$12,400.00
RIO GRANDE ASSOCIATES INC	$80,000.00
RIST FROST ASSOCIATES	$10,423.00
RIVERS AIR CONDITIONING INC	$51,854.00
RIVERSIDE CONSTRUCTION CO INC	$978,836.00
RIVERSIDE GENERAL CONTRACTORS INC	$21,000.00
ROBBINS BEEF CO	$22,134.00
ROBBINSVILLE CONTRACTING CO INC	$201,478.00
ROBIE CONSTRUCTION CO INC	$12,600.00
ROCKCOR INC	$70,106.00
ROCKET RESEARCH CORP	$300,000.00

ROCON INC	$23,900.00
ROME RESEARCH CORP	$1,726,266.00
RONDOUT ASSOCIATES	$194,000.00
ROSE ENGINEERING & RESEARCH INC	$135,001.00
ROSENBAUM HAROLD ASSOCIATES INC	$193,709.00
ROTH OFFICE EQUIPMENT CO	$50,664.00
ROTOFLOW CORP	$11,365.00
ROVAC CORP	$127,916.00
ROVAZZINI ELECTRIC INC	$45,889.00
RUPERT PLUMBING & HEATING CO INC	$49,500.00
RUTHERFORD MAINTENANCE CO	$242,070.00
RYAN ELECTRIC CO	$120,800.00
S & O AIR CONDITIONING INC	$53,713.00
S A I ENGINEERS INC	$27,000.00
S C S ENGINEERS	$100,991.00
S S S CONSULTING INC	$19,387.00
SAFETY CONSULTING ENGINEERS	$99,533.00
SAINT CLOUD ELECTRONICS	$16,654.00
SANTA CRUZ CONSTRUCTION INC	$743,978.00
SANTA ROSA MFG CO	$25,000.00
SAXON B B CO INC	$1,723,512.00
SCHEMMER ASSOCIATES INC	$16,497.00

SCHMALENBERGER J A	$16,828.00
SCHMIDT T E	$116,650.00
SCHWEIZER AIRCRAFT CORP	$20,750.00
SCIENCE APPLICATIONS INC	$606,469.00
SCIENTIFIC MEASUREMENT SYSTEMS	$102,050.00
SCIENTIFIC RESEARCH ASSOCIATES	$50,796.00
SCIENTIFIC RESEARCH CENTER	$42,000.00
SCIENTIFIC SIMULATION CONSULTANTS	$238,417.00
SCIENTIFIC SYSTEMS INC	$562,208.00
SCIENTIFIC TECH ASSOCIATES INC	$474,268.00
SCIPAR INC	$1,074,034.00
SCITRAN	$145,000.00
SCOTSMAN MOBILE LEASE CO	$68,200.00
SCRUGGS & HAMMOND GRAHAM PHILJV	$56,475.00
SEDCO SYSTEMS INC	$1,085,203.00CR
SERVICE ELECTRIC CO	$62,649.00
SERVICE FILTER CO	$44,665.00
SERVIDYNE INC	$11,368.00
SEVILLE RESEARCH CORP	$61,331.00
SHAH VIERA & ASSOCIATES INC	$49,425.00
SHAKER RESEARCH CORP	$97,362.00
SHAMROCK FIVE CONSTRUCTION CO	$541,142.00

SHIELDS & CO INC	$11,772.00
SIERRA GEOPHYSICS INC	$341,678.00
SIERRACIN SYLMAR	$4,744,840.00
SIGMA TAU STANDARDS CORP	$98,000.00
SIGNAL SCIENCE INC	$31,000.00
SIGNAL TECHNOLOGY INC	$240,000.00
SIGNATRON INC	$1,624,260.00
SIMULATION TECHNOLOGY INC	$146,295.00
SINACOLRI JOHN B ASSOCIATES	$40,006.00
SKYLARK NORTH	$16,866.00
SMALLS FABRICATED STEEL	$13,889.00
SMITH & GILLESPIE	$23,092.00
SOFTECH INC	$6,807,004.00
SOFTWARE & ENGINEERING ASSOCIATES	$617,127.00
SOHAR INC	$62,996.00
SOLAREX CORP	$40,080.00
SOLEC INTERNATIONAL INC	$232,597.00
SOLIMAR INC	$75,000.00
SONICRAFT INC	$1,843,430.00
SOUND COMMUNICATIONS INC	$16,000.00
SOUTH SHORE SANITATION CORP	$79,990.00
SOUTHEAST ELECTRONICS INC	$29,132.00
SOUTHERN SEED CO INC	$81,856.00
SOUTHERN TECHNOLOGIES INC	$10,926.00
SOUTHWEST FLEXIBLE SEWER EQUIP CO	$10,977.00
SOUTHWORKS CONSTRUCTION	$19,989.00
SPACE DATA CORP	$3,233,444.00
SPACE VECTOR CORP	$1,146,233.00
SPACESAVER SYSTEMS CO	$49,490.00
SPEARS ASSOCIATES INC	$430,000.00
SPECIAL DEVICES INC	$200,000.00
SPECTRA RESEARCH SYSTEMS INC	$937,502.00
SPECTRAL PRECISION INC	$26,552.00
SPECTRON DEVELOPMENT LABORATORIES	$565,704.00
SPEEGLE CONSTRUCTION CO	$1,959,673.00
SPENCER JOHN W & ASSOCIATES INC	$32,121.00
SPEX INDUSTRIES INC	$18,008.00
SPIN PHYSICS INC	$12,710.00
SPIRE CORP	$209,480.00
SPRINGBORN LABORATORIES INC	$67,613.00
STAFFCO CONSTRUCTION INC	$112,935.00
STANDARD ENERGY ING	$66,500.00
STANDARD MFG CO	$997,204.00
STANFORD RESEARCH INSTITUTE	$15,114.00

STANFORD TELECOMMUNICATIONS INC	$2,315,398.00
STARLITE SERVICES INC	$281,916.00
STARRETT PAVING CORP	$12,607.00
STENCEL AERO ENGINEERING CORP	$17,857.00
STENOGRAPH CORP	$35,000.00
STERLING ELECTRONICS INC	$12,476.00
STERLING SYSTEMS INC	$60,504.00
STERLING WALTER V INC	$767,000.00
STEVENS & VAN DYKE GARDEN CENTER	$35,834.00
STEVENS CO	$5,756,024.00
STOTT CHAS G & CO INC	$28,687.00
STRASBOUGH R HOWARD INC	$33,925.00
STRATE CONSTRUCTION CO	$32,334.00
STRONG BILL ENTERPRISES INC	$1,469,212.00
STRUCTUAL FINISHING INC	$120,809.00
STRUGHTON STEEL CO INC	$12,601.00
STUDWELL INC	$40,035.00
STYNETIC SYSTEMS INC	$88,850.00
SUMMERS ENGINEERING	$293,484.00
SUNBELT ELECTRICAL CO INC	$126,600.00
SUNNYSLOPE ELECTRIC CO	$23,320.00
SUNSHINE GLASS WORKS	$40,101.00
SUNSHINE PAINTING CO	$111,446.00
SUNSTATE ELECTRONICS	$21,780.00
SUPPORT SYSTEMS ASSOCIATES INC	$1,050,172.00
SUPREME EQUIPMENT & SYSTEMS CORP	$12,000.00
SURFACE OPTICS CORP	$14,240.00
SUSQUEHANN RESOURCES & ENVIRONMENT	$40,590.00
SWANSON CO	$48,950.00
SWARTZ ROBERT CO INC	$132,306.00
SWIFT & CO	$10,002.00
SYNECTICS CORP	$1,432,413.00
SYRACUSE SUPPLY CO	$17,203.00
SYSCO ENGINEERING CORP	$19,656.00
SYSTEM ENTERPRISES	$80,900.00
SYSTEM PLANNING CORP	$233,468.00
SYSTEMS & APPLIED SCIENCES CORP	$3,408,503.00
SYSTEMS ARCHITECTS INC	$1,608,558.00
SYSTEMS CONTROL INC	$3,295,457.00
SYSTEMS INDUSTRIES	$27,835.00
SYSTEMS RESEARCH COR	$110,100.00
SYSTEMS RESEARCH LABORATORIES INC	$37,399.00
SYSTEMS SALES CO	$12,157.00
SYSTEMS SCIENCE & SOFTWARE	$698,230.00

SYSTEMS TECHNOLOGY INC	$363,798.00
SYSTEMS TECHNOLOGY LABS INC	$330,000.00
SYSTONETICS INC	$383,545.00
SYSTRAN CORP	$769,812.00
T B S SERVICE CO INC	$1,025,076.00
T L T CONSTRUCTION CORP	$20,292.00CR
T R M SYSTEMS CORP	$22,360.00
TAYLOR CORP OF BREVARD	$59,861.00
TECH REPS INC	$296,660.00
TECHNICAL SERVICES LABORATORY	$319,000.00
TECHNOLOGY DEVELOPMENT CORP	$6,009,283.00
TECHNOLOGY DEVELOPMENT OF CALIF	$8,117,776.00
TECHNOLOGY INC	$1,288,237.00
TECHNOLOGY SERVICE CORP	$1,193,954.00
TECOLOTE RESEARCH INC	$76,992.00
TELECOMMUNICATION TECHNIQUES CORP	$46,880.00
TEMPESTA & SON	$276,402.00
TEMPLE ROBERT W CONTRACTOR	$1,565,321.00
TERMINAL DATA CORP	$150,096.00
TEST SYSTEMS INC	$15,392.00
TETRA SYSTEMS CORP	$92,905.00
TEXAS PAINTER CRAFT INC	$3,041,523.00
TEXAS RESEARCH INSTITUTE INC	$100,000.00
THERACORE INC	$35,000.00
THERMAL CONTROLS INC	$18,572.00
THERMAL ELECTRONICS INC	$17,946.00
THERMAL SCIENCES INC	$125,000.00
THIMM JOSEPH R ARCHITECT	$28,880.00
THOMASON WELL DRILLING INC	$10,400.00
THREE D R M INC	$14,040.00
THRESHOLD TECHNOLOGY INC	$41,500.00
THUNDERBIRD SALES CORP	$12,189.00
TIME SYSTEM TECHNOLOGY INC	$15,600.00
TINSLEY LABORATORIES INC	$14,250.00
TOMS COCOA ELECTRIC	$38,750.00
TOMS RIVER PLUMBING & SUPPLY CO	$36,590.00
TOTAL MAINTENANCE INC	$15,000.00
TOYON RESEARCH CORP	$69,960.00
TRADEMASTERS CONSTRUCTION CO	$36,029.00
TRANSEMANTICS INC	$190,787.00
TRANSEND INC	$300,000.00
TRANSIT SERVICES INC	$364,080.00
TREND WESTERN TECHNICAL CORP	$3,628,860.00
TRI CON ASSOCIATES INC	$245,028.00

TRI GO ENGINEERING CO INC	$28,986.00
TRI SOLAR CORP	$77,883.00
TRIAD MICROSYSTEMS INC	$559,566.00
TRICOR SYSTEMS INC	$64,684.00
TRIDENT DATA SYSTEM	$64,907.00
TROGDON J S CO	$111,575.00
TRUCK EQUIPMENT SALE INC	$16,077.00
TURKNETT WILLIAM CONSTRUCTION INC	$25,000.00
TURNER DISPOSAL	$78,350.00
TUSTIN ELECTRONICS CO	$18,565.00
TYBRIN CORP	$371,166.00
TYLER CAMERA SYSTEMS	$21,350.00
TYLER JACK ENGINEERING CO	$16,415.00
U S CUSTOMS HOUSE	$124,730.00
U S TECHNOLOGIES CORP	$60,000.00
U T I	$26,000.00
ULTRASYSTEMS INC	$880,569.00
UMPQUA MARINE WAYS INC	$21,240.00
UNI COPY OF NEW MEXICO	$94,664.00
UNICOM SYSTEMS INC	$24,960.00
UNIFIED INDUSTRIES INC	$200,000.00
UNISTRUT NEW MEXICO	$16,254.00

UNITED BEEF CO	$252,092.00
UNITED RESEARCH CORP	$111,280.00
UNITED SCIENTIFIC CORP	$115,113.00
UNITED STATES MOTORS CORP	$25,557.00
UNITED STEEL PRODUCTS CO	$54,572.00
UNIVERSAL ASPHALT PAVING CO INC	$41,700.00
UNIVERSAL BULDING CO	$23,888.00
UNIVERSAL ENERGY SYSTEMS INC	$1,754,048.00
UNIVERSAL MACHINING CO INC	$396,400.00
UNIVERSAL TECHNOLOGY CORP	$592,776.00
V T 1 INC	$264,000.00
VALANT PAINTING CO	$158,525.00
VALLEY STEEL PRODUCTS CO	$11,450.00
VAN COTT BAGLEY CORNWALL & MCCARTH	$11,350.00
VANGUARD MILITARY EQUIPMENT CO	$13,200.00
VEDA INC	$779,508.00
VEHICLE SYSTEMS DEVELOPMENT CORP	$15,000.00
VERAC INC	$1,063,116.00
VERNZ TRUCKING EQUIPMENT INC	$16,295.00
VIC LANE CONSTRUCTION INC	$70,548.00
VISIDYNE INC	$1,291,991.00
VREULS RESEARCH CORP	$137,035.00

W C H INDUSTRIES INC	$74,215.00
WALLIS BAKER & ASSOCIATES	$54,025.00
WAN LEE & ASSOCIATES INC	$19,806.00
WARCO STEEL CORP	$20,630.00
WASHINGTON PATROL SERVICE INC	$1,676,175.00
WATER & AIR RESEARCH INC	$63,975.00
WEIDLINGER ASSOCIATES CONSULT ENGR	$468,654.00
WELLS ADGER SMITH INC	$23,850.00
WERLATONE INC	$14,400.00
WESTERN STATES MECHANICAL CONTRS	$25,644.00
WESTERN TECHNICAL ASSOCIATES	$23,281.00
WESTON ROY F	$136,985.00
WESTPORT PAINTING CO INC	$65,118.00
WESTWOOD WHOLESALE ELECTRIC CO INC	$12,180.00
WHAT MAC CONTRACTORS INC	$139,395.00
WHITAKER A P & SONS	$183,458.00
WHITE PLAINS ELECTRICAL SUPPLY CO	$14,067.00
WICHMAN SVEN ASSOCIATES INC	$30,900.00
WIGGINS JOHN H CO	$621,357.00
WILLIAMS CHARLES G CONSTRUCTION CO	$115,900.00
WILLIAMS H A & ASSOCIATES INC	$11,495.00
WILLIAMS INT'L CORP.	$743,630.00
WILSON ASSOCIATES INC	$11,747.00
WILTRON CO	$20,744.00
WISCO EQUIPMENT CO INC	$19,047.00
WOODBURN WEDGE BLAKEY & JEPPSON	$24,000.00
WORCESTER COUNTY REFRIGERATION INC	$15,667.00
WRIGHT & WRIGHT INC	$80,000.00
WRIGHT ENERGY NEVADA CORP	$245,000.00
X A R INDUSTRIES INC	$64,693.00
XETRON CORP	$11,767.00
XONTECH INC	$1,609,738.00
YUCCA CONSTRUCTION CORP	$17,495.00
ZEEL INC	$10,569.00CR
ZIA CINE INC	$26,244.00
ZIEL BLOSSOM & ASSOCIATES INC	$47,827.00
ZYGO CORP	$27,550.00
TOTAL SMALL BUS	$412,519,068.00

ATTACHMENT 2
(Fiscal Year 1983)
(Small Disadvantaged Program)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL DISADV BUS/,R(45,$$$$,$$$
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,$$9.99CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END
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 REPORT:GE
 -473- NO ERRORS HAVE OCCURRED -
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NERATE OSWALT WH C103 EQ A AND C202 EQ 83:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200      -
                                                      $4,768,751.00
 ADVANCED RESEARCH & APPL CORP                          $299,842.00
 AERODYNE RESEARCH INC                                   $49,977.00
 ALEMAN FOOD SERVICE INC                                $521,959.00
 ALLIANCE ELECTRONICS                                    $80,698.00
 AMCO TOOL & DIE CO., INC.                              $173,501.00
 AMERICAN DEVELOPMENT CORP                           $22,100,810.00
 AMEX SYSTEMS INC                                     $3,258,357.00
 ANALYTIC SCIENCES CORP                                 $488,900.00
 ANDRULIS RESEARCH CORP                                  $59,891.00


 ANTELOPE BUILDING MAINTENANCE                          $359,910.00
 APPLIED TECHNOLOGY ASSOCIATES INC                    $1,256,166.00
 ARCATA ASSOCIATES                                      $553,775.00
 ARROW JANITORIAL SERVICE                               $667,459.00
 ARTS JANITORIAL                                         $30,966.00
 ATLANTIC PERSONNEL SERVICES INC                        $248,205.00
 AUTOMATED SERVICES GROUP INC                         $1,964,134.00
 AVEL CORP                                            $1,242,090.00
 AVIATION ENTERPRISES INC                               $212,700.00
 B & W SERVICE INDUSTRIES INC                           $921,000.00
 BAY CITY MARINE INC                                    $500,000.00
 BEHE & UMHOLTZ ELECTRICAL CONTR                        $100,917.00
 BEOWULF CONNECTOR & CABLE CORP                          $46,100.00
 BLAINE GROUP THE                                        $97,800.00
 CAMPBELL O V & SONS INDUSTRIES INC                     $878,370.00
 COMMUNITRONICS CORP                                     $67,210.00
 COMPUTER ENGINEERING ASSOC INC                         $363,134.00
 COMPUTER SOFTWARE ANALYSIS INC                       $1,500,136.00
 COMPUTER TECHNOLOGY ASSOCIATES                         $830,481.00
 COOK CONSTRUCTION CO                                   $125,789.00
 D A W SERVICE                                          $204,000.00
 DATA ENGINEERING CORP                                $1,899,438.00
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DAVENPORT PACKING CO INC	$50,676.00
DELGADO & SONS INC	$1,071,571.00
DELTA ASSOCIATES INC	$2,250,000.00
DESERT GREEN CHEMICAL CO INC	$44,370.00
DIGICOMP RESEARCH CORP	$658,937.00
DUNN HOMER L DECORATING	$456,679.00
DYNA EAST CORP	$477,989.00
EAST COAST CONTRACTING INC	$120,555.00
F & P CONSTRUCTION CO	$43,509.00
F R O LANDSCAPING	$67,500.00
F X C CORP	$183,192.00
FALLS JANITORIAL SERVICE INC	$140,096.00
FLINCHUM CONSTRUCTION CO INC	$2,727,401.00
FLOW RESEARCH INC	$454,747.00
GARCIA TREE & LAWN INC	$104,260.00
H H AEROSPACE DESIGN CO INC	$579,691.00
HARMON SEPTIC TANK INC	$25,661.00
HARTEC ENTERPRISES INC	$310,800.00
HINKLEY J R & ASSOCIATES	$1,266,429.00
HOUSEKEEPERS MAINTENANCE SERVICE	$1,052,670.00
INFORMATION SYSTEMS & NETWORKS CO	$2,290,953.00
INFORMATION SYSTEMS NETWORKS CORP	$691,675.00
INPUT OUTPUT COMPUTER SERVICES INC	$879,703.00
INTER CON SECURITY SYSTEMS	$2,580,974.00
INTERFACE ENGINEERING INC	$72,492.00
J & S ELECTRIC CO INC	$593,674.00
J W M CORP	$348,828.00
JAYCOR	$65,000.00
KRETECH INC	- $65,000.00
LAS RUEDAS CONSTRUCTION CO INC	$52,000.00
MARKO MATERIALS, INC.	$64,906.00
MAXIMA CORP	$796,785.00
MAXWELL LABORATORIES INC	$265,215.00
MCKINNIE W T GENERAL CONTRACTORS	$39,963.00
METRO BOSTON CONTRACTING CO INC	$2,188,507.00
MILITARY BASE MANAGEMENT INC	$95,399.00
MULTI SERVICE MAINTENANCE CORP	$35,540.00
NERO & ASSOCIATES	$8,077,467.00
NEW BEDFORD FLOOR COVERING CO	$240,333.00
O A O CORP	$6,774,788.00
OPHIR CORP	$70,000.00
PANAMETRICS INC	$70,000.00
PHOTOFABRICATION TECHNOLOGY, INC.	$47,027.00
PHYSICAL ACOUSTICS CORPORATION	$49,125.00

RADEX CORP	$114,000.00
REID RICHARD W ELECTRIC CO INC	$29,700.00
RESPOND TECHNICAL CO	$530,386.00
REYNOLDS INDUSTRIES INC	$161,836.00
RIO GRANDE ASSOCIATES INC	$125,000.00
SANTA CRUZ CONSTRUCTION INC	$370,914.00
SAVOY JOHN & SON INC	$89,744.00
SCIENTIFIC SYSTEMS INC	$605,075.00
SOLAR ELECTRICAL CONSTRUCTION CORP	$31,789.00
SONICRAFT INC	$13,000,000.00
SOUTHEASTERN ENTERPRISES	$209,513.00
SPECTRA RESEARCH SYSTEMS INC	$2,815,162.00
STERLING SYSTEMS INC	$300,000.00
STOVALLS SECURITY SERVICE	$985,703.00
SUNSHINE SERVICES INC	$33,162.00
SUSQUEHANN RESOURCES & ENVIRONMENT	$50,000.00
SYSTEMS & APPLIED SCIENCES CORP	$5,577,048.00
SYSTEMS ARCHITECTS INC	$1,214,351.00
T B S SERVICE CO INC	$1,055,821.00
T E & S ROOFING CO	$111,000.00
TECHNOLOGY DEVELOPMENT CORP	$11,888,338.00
TECHNOLOGY DEVELOPMENT OF CALIF	$4,947,434.00
TERRA TECHNOLOGY CORP	$37,401.00
TORRES VICTOR P CONSTRUCTION	$140,877.00
TRIAD MICROSYSTEMS INC	$1,500,750.00
UNIVERSAL ENERGY SYSTEMS INC	$3,789,545.00
UNIVERSAL TECHNOLOGY CORP	$48,139.00
V T I INC	$315,000.00
VAL TRONICS INC	$30,000.00
VALTRONICS INC	$74,430.00
VER VAL ENTERPRISES INC	$1,195,416.00
VIGIL PAINTING	$176,000.00
W C H INDUSTRIES INC	$49,986.00
W E A	$40,000.00
WASHINGTON PATROL SERVICE INC	$750,000.00
TOTAL SMALL DISADV BUS	$136,808,293.00

(Fiscal Year 1983)

(8 (a) Program)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL BUS 8A/,R(45,$$$$,$$$,$$9
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.99CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END REP
---
ORT:GENERA
 -473- NO ERRORS HAVE OCCURRED -
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TE OSWALT WH C113 EQ 4 AND C114 EQ J AND C202 EQ 83:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200
                                                       $1,517,264.00
 AMCO TOOL & DIE CO., INC.                               $173,501.00
 AMEX SYSTEMS INC                                      $3,258,357.00
 ARCATA ASSOCIATES                                       $553,775.00
 ARROW JANITORIAL SERVICE                                $667,459.00
 ATLANTIC PERSONNEL SERVICES INC                         $248,205.00
 AUTOMATED SERVICES GROUP INC                          $1,964,134.00
 B & W SERVICE INDUSTRIES INC                            $921,000.00
 BAY CITY MARINE INC                                     $500,000.00
 CAMPBELL O V & SONS INDUSTRIES INC                      $878,370.00


 COMPUTER ENGINEERING ASSOC INC                          $363,134.00
 COMPUTER SOFTWARE ANALYSIS INC                        $1,500,136.00
 COMPUTER TECHNOLOGY ASSOCIATES                          $830,481.00
 DELGADO & SONS INC                                    $1,071,571.00
 DIGICOMP RESEARCH CORP                                  $658,937.00
 DUNN HOMER L DECORATING                                 $456,679.00
 DYNA EAST CORP                                          $137,000.00
 F & P CONSTRUCTION CO                                    $43,509.00
 FALLS JANITORIAL SERVICE INC                            $140,096.00
 H H AEROSPACE DESIGN CO INC                             $579,691.00
 HARTEC ENTERPRISES INC                                  $310,800.00
 HINKLEY J R & ASSOCIATES                              $1,157,184.00
 INFORMATION SYSTEMS & NETWORKS CO                     $2,091,353.00
 INFORMATION SYSTEMS NETWORKS CORP                       $691,675.00
 INPUT OUTPUT COMPUTER SERVICES INC                      $879,703.00
 INTER CON SECURITY SYSTEMS                            $2,580,974.00
 J W M CORP                                              $348,828.00
 MAXIMA CORP                                             $796,785.00
 MCKINNIE W T GENERAL CONTRACTORS                         $39,963.00
 METRO BOSTON CONTRACTING CO INC                       $2,186,507.00
 MULTI SERVICE MAINTENANCE CORP                           $35,540.00
 NERO & ASSOCIATES                                     $8,077,467.00
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NEW BEDFORD FLOOR COVERING CO	$240,333.00
O A O CORP	$6,774,788.00
REID RICHARD W ELECTRIC CO INC	$29,900.00
RESPOND TECHNICAL CO	$530,386.00
RIO GRANDE ASSOCIATES INC	$125,000.00
SANTA CRUZ CONSTRUCTION INC	$176,000.00
SCIENTIFIC SYSTEMS INC	$393,741.00
SOLAR ELECTRICAL CONSTRUCTION CORP	$31,789.00
SONICRAFT INC	$13,000,000.00
SOUTHEASTERN ENTERPRISES	$209,513.00
STERLING SYSTEMS INC	$300,000.00
STOVALLS SECURITY SERVICE	$985,703.00
SUNSHINE SERVICES INC	$33,162.00
SYSTEMS & APPLIED SCIENCES CORP	$5,384,033.00
SYSTEMS ARCHITECTS INC	$1,057,753.00
T B S SERVICE CO INC	$1,055,821.00
TECHNOLOGY DEVELOPMENT CORP	$11,888,338.00
TECHNOLOGY DEVELOPMENT OF CALIF	$4,274,093.00
TORRES VICTOR P CONSTRUCTION	$140,877.00
TRIAD MICROSYSTEMS INC	$1,500,750.00
UNIVERSAL ENERGY SYSTEMS INC	$3,404,107.00
VAL TRONICS INC	$30,000.00
VALTRONICS INC	$74,430.00
VER VAL ENTERPRISES INC	$1,195,416.00
W C H INDUSTRIES INC	$49,986.00
TOTAL SMALL BUS 8A	$88,547,997.00

(Fiscal Year 1982)

(Small Disadvantaged Program)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY O:SUPPRESS DETAIL:DE A=RSUM OF
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C228;DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL DISADV BUS/,R(45,$$$$,$$$
---
,$$9.99CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END
---
 REPORT:GE
 -473- NO ERRORS HAVE OCCURRED -
---
NERATE OSWALT WH C103 EQ A AND C202 EQ 82:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200      -
                                                   $77,188.00
 A C CO                                            $53,379.00
 A M A F INDUSTRIES INC                            $12,000.00
 A V M ELECTRONICS SYSTEMS INC                    $191,820.00
 ACME PIPELINE & ENGINEERING CO                    $14,854.00CR
 ADVANCED INTERGRATED TECHNOLOGY                   $13,520.00
 AGRICULTURAL BUILDINING CO                        $18,859.00
 ALEMAN FOOD SERVICE INC                          $130,049.00
 AMER INDUSTRIAL TECHNOLOGIES                      $97,600.00
 AMEX SYSTEMS INC                               $3,254,275.00


 ANALYTIC SCIENCES CORP                            $39,625.00
 ANDRULIS RESEARCH CORP                           $145,000.00
 ANTELOPE BUILDING MAINTENANCE                    $359,910.00
 APPLICATION RESEARCH CORP                         $10,609.00
 APPLIED MODELING INC                              $28,100.00
 APPLIED TECHNOLOGY ASSOCIATES INC              $1,366,891.00
 ARCATA ASSOCIATES                                $488,000.00
 ARCHITECTURAL CONCEPTS INC                        $99,997.00
 ARROW JANITORIAL SERVICE                         $627,900.00
 AVIATION ENTERPRISES INC                         $124,075.00
 AYDIN CORP                                        $47,702.00
 B & W SERVICE INDUSTRIES INC                     $831,676.00
 BARLETT ASSOCIATES INC                            $19,120.00
 BARTLETT ASSOCIATES INC MD                        $13,260.00
 BAY CITY MARINE INC                            $2,015,885.00
 BEHE & UMHOLTZ ELECTRICAL CONTR                   $52,325.00
 BEOWULF CONNECTOR & CABLE CORP                   $138,045.00
 BIRD CONSTRUCTION CO                              $53,043.00
 BROKENBOUGH WILLA PARTIES                              $0.00
 BROWN & SEALES                                    $53,186.00
 BROXSON MOVING & STORAGE                          $13,385.00
 CABRERA CONSTRUCTION CO                           $14,700.00
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CAPSULATED SYSTEMS INC	$71,993.00
CAR TED INDUSTRIES INC	$48,208.00
CENTURY ELEVATOR CORP	$11,560.00
CLIMATRONICS CORP	$10,549.00
COLLINS JAMES W & ASSOCIATES INC	$28,500.00
COMMUNITRONICS CORP	$17,000.00
COMPUTER SOFTWARE ANALYSIS INC	$512,160.00
COMPUTER TECHNOLOGY ASSOCIATES	$733,700.00
CONCORDE INDUSTRIES INC	$23,460.00
CONSOLIDATED CLEANING CO	$41,201.00
COOK CONSTRUCTION CO	$323,452.00
DATA ENGINEERING CORP	$12,000.00
DELGADO & SONS INC	$394,000.00
DELRON CO INC	$56,785.00
DIAZ SECKINGER & ASSOCIATES INC	$172,236.00
DIGICOMP RESEARCH CORP	$717,611.00
DYNA EAST CORP	$327,547.00
EAST COAST CONTRACTING INC	$17,459.00
EATONVILLE DIVERSIFIED INC	$95,748.00
ECONOMICS TECHNOLOGY ASSOC	$25,000.00
ECOS MANAGEMENT CRITERIA	$30,972.00
EDBERT COMPUTER SERVICE CORP	$16,190.00
ELECTRO MAGNETIC PROCESSES INC	$108,293.00
EMERY A H CO THE	$22,450.00
F & P CONSTRUCTION CO	$240,000.00
F R O LANDSCAPING	$20,419.00
FALLS JANITORIAL SERVICE INC	$272,072.00
FERENOINO GRAFTON SPILLIS CANDELA	$136,844.00
FLINCHUM CONSTRUCTION CO INC	$1,771,714.00
FLOW RESEARCH INC	$316,211.00
FORD UNIVERSAL CARPET CO	$29,374.00
GANDALF DATA INC	$65,780.00
GARCIA TREE & LAWN INC	$149,635.00
GEEENWAY RODNEY H INC	$1,537,333.00
GEN RAD INC	$18,595.00
GOLDEM STATE TELEPHONE	$47,402.00
GOODRICH ROOFING CO	$17,552.00
GOVERNMENT MARKETING SERVICES INC	$157,672.00
H D DEVELOPMENTCO INC	$12,353.00
HARMON SEPTIC TANK INC	$23,460.00
HARTEC ENTERPRISES INC	$39,978.00
HILL WILSON ASSOCIATES INC	$31,000.00
HINKLEY J R & ASSOCIATES	$1,484,166.00
HOUSEKEEPERS MAINTENANCE SERVICE	$863,892.00

I E S OF TEXAS	$19,536.00
INFORMATION SYSTEMS NETWORKS CORP	$1,228,845.00
INPUT OUTPUT COMPUTER SERVICES INC	$1,754,389.00
INTER CON SECURITY SYSTEMS	$2,193,710.00
J & J MAINTENANCE INC	$984,219.00
J M C CONSTRUCTORS INC	$10,947.00
J W M CORP	$9,189,493.00
K N S INDUSTRIES	$14,935.00
KELBE EQUIPMENT CO	$21,813.00
KENNARD DELAHOUSIE & GAULT	$16,355.00CR
KRAMER SYSTEMS INTERNATIONAL INC	$24,628.00
KRETECH INC	$30,000.00
L & L INSTALLERS SALES & SERVICES	$57,027.00
MADISON MADISON INTERNATIONAL INC	$30,000.00
MAXEYS INTERIORS	$16,200.00
MAXIMA CORP	$171,000.00
MAXWELL LABORATORIES INC	$408,332.00
MCKEE TRANE SERVICE AGENCY INC	$11,099.00
MCQUAY PERFEX INC	$33,135.00
METRO BOSTON CONTRACTING CO INC	$1,863,658.00
MONTOYA CONSTRUCTION	$828,161.00
MULTI SERVICE MAINTENANCE CORP	$968,573.00
N W F CONTRACTORS INC	$11,549.00
NERO & ASSOCIATE	$6,349,489.00
NEW BEDFORD FLO[illegible] OVERING CO	$28,925.00
NORTON DEL GALLO INC	$13,000.00
O A O CORP	$2,800,726.00
ORNSBY W N ROOFING & CONSTRUCTION	$34,533.00
PANAMETRICS INC	$80,000.00
PATEL ENTERPRISES INC	$33,400.00
PECO ENTERPRISES INC	$96,951.00
PHOTON RESEARCH ASSOCIATES	$46,700.00
R & R CUSTOM DRAPERIES	$28,663.00
R M CONSTRUCTION	$13,900.00
RADEX CORP	$112,000.00
RAMAN AERONAUTICS INC	$24,985.00
RAMSAY PRODUCTS INC	$227,648.00CR
RAYCO PAINTING CO	$40,000.00
REED ALONZO B	$37,074.00
REID RICHARD W ELECTRIC CO INC	$38,957.00
RESPOND TECHNICAL CO	$444,615.00
REYNOLDS INDUSTRIES INC	$105,000.00
RIGOLI PACIFIC CO INC	$13,660.00
RIO GRANDE ASSOCIATES INC	$211,000.00

S D M CORP	$34,679.00
S O S INC	$7,171.00
SANTA CRUZ CONSTRUCTION INC	$570,766.00
SAVOY JOHN & SON INC	$10,771.00
SCIENTIFIC SYSTEMS INC	$860,778.00
SENTRY ALARM CO INC	$41,584.00
SETRA SYSTEMS	$130,529.00
SHERMAN DISPOSAL CO	$109,000.00
SOLAR ELECTRICAL CONSTRUCTION CORP	$523,700.00
SONICRAFT INC	$1,342,625.00
SPECTRA RESEARCH SYSTEMS INC	$1,190,953.00
STERLING SYSTEMS INC	$245,000.00
STOVALLS SECURITY SERVICE	$834,726.00
SUNSHINE SERVICES INC	$296,634.00
SYSTEMS & APPLIED SCIENCES CORP	$6,759,559.00
SYSTEMS ARCHITECTS INC	$588,055.00
SYSTEMS RESEARCH CORP	$97,981.00
T B S SERVICE CO INC	$1,163,522.00
T E & S ROOFING CO	$359,000.00
TECHNOLOGY DEVELOPMENT CORP	$3,802,033.00
TECHNOLOGY DEVELOPMENT OF CALIF	$1,386,641.00
TELE SIGNAL CORP	$351,000.00
TERMINALS UNLIMITED INC	$61,700.00
TERRA TECHNOLOGY CORP	$57,322.00
THE PERLICK CO INC	$11,552.00
THUNDERBIRD SALES CORP	$13,500.00
TORRES VICTOR P CONSTRUCTION	$54,654.00
TOTAL MAINTENANCE INC	$45,600.00
TRIAD MICROSYSTEMS INC	$1,316,284.00
TYBRIN CORP	$188,041.00
UHL & LOPEZ ENGINEERS INC	$31,917.00
UNIVERSAL BULDING CO	$337,612.00
UNIVERSAL ENERGY SYSTEMS INC	$2,609,012.00
V T I INC	$233,725.00
VAL TRONICS INC	$579,000.00
VALTRONICS INC	$544,056.00
VENTURE ELECTRIC	$21,812.00
VER VAL ENTERPRISES INC	$335,091.00
WASHINGTON PATROL SERVICE INC	$1,869,380.00
WEST COAST COMPUTER EXCHANG	$11,738.00

(Fiscal Year 1982)
(8(a) Program)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL BUS 8A/,R(45,$$$$,$$$,$$9
---
.99CR)AA:FOR C2,AT END,PR C2,R(45,3$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END REP
---
ORT:GENERA
 -473- NO ERRORS HAVE OCCURRED -
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TE OSWALT WH C113 EQ 4 AND C114 EQ J AND C202 EQ 82:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200      -
 A V M ELECTRONICS SYSTEMS INC                    $191,820.00
 AMEX SYSTEMS INC                               $3,254,275.00
 ANDRULIS RESEARCH CORP                           $145,000.00
 ARCATA ASSOCIATES                                $488,000.00
 ARROW JANITORIAL SERVICE                         $627,900.00
 B & W SERVICE INDUSTRIES INC                     $831,676.00
 BAY CITY MARINE INC                            $2,015,885.00
 BIRD CONSTRUCTION CO                              $53,043.00
 CAR TED INDUSTRIES INC                            $48,208.00
 COMPUTER SOFTWARE ANALYSIS INC                   $512,160.00

 COMPUTER TECHNOLOGY ASSOCIATES                   $733,700.00
 DELGADO & SONS INC                               $394,000.00
 DIGICOMP RESEARCH CORP                           $717,611.00
 DYNA EAST CORP                                   $140,132.00
 EATONVILLE DIVERSIFIED INC                        $95,748.00
 ECONOMICS TECHNOLOGY ASSOC                        $25,000.00
 ECOS MANAGEMENT CRITERIA                          $30,972.00
 F & P CONSTRUCTION CO                            $240,000.00
 FALLS JANITORIAL SERVICE INC                     $272,072.00
 FORD UNIVERSAL CARPET CO                          $29,374.00
 H D DEVELOPMENTCO INC                             $12,353.00
 HARTEC ENTERPRISES INC                            $39,978.00
 HILL WILSON ASSOCIATES INC                        $31,000.00
 HINKLEY J R & ASSOCIATES                         $844,537.00
 I E S OF TEXAS                                    $19,536.00
 INFORMATION SYSTEMS NETWORKS CORP              $1,228,845.00
 INPUT OUTPUT COMPUTER SERVICES INC             $1,754,389.00
 INTER CON SECURITY SYSTEMS                     $2,193,710.00
 J W M CORP                                     $9,189,493.00
 MADISON MADISON INTERNATIONAL INC                 $30,000.00
 MAXIMA CORP                                      $171,000.00
 METRO BOSTON CONTRACTING CO INC                $1,863,658.00
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MONTOYA CONSTRUCTION	$828,161.00
MULTI SERVICE MAINTENANCE CORP	$906,842.00
NERO & ASSOCIATES	$6,349,489.00
NEW BEDFORD FLOOR COVERING CO	$28,925.00
O A O CORP	$2,800,726.00
ORNSBY W N ROOFING & CONSTRUCTION	$34,533.00
PECO ENTERPRISES INC	$96,951.00
RAMSAY PRODUCTS INC	$35,735.00CR
RAYCO PAINTING CO	$40,000.00
REID RICHARD W ELECTRIC CO INC	$38,957.00
RESPOND TECHNICAL CO	$494,615.00
RIO GRANDE ASSOCIATES INC	$211,000.00
SANTA CRUZ CONSTRUCTION INC	$300,607.00
SCIENTIFIC SYSTEMS INC	$845,798.00
SOLAR ELECTRICAL CONSTRUCTION CORP	$323,700.00
SONICRAFT INC	$6,432,625.00
STERLING SYSTEMS INC	$265,000.00
STOVALLS SECURITY SERVICE	$834,726.00
SUNSHINE SERVICES INC	$296,634.00
SYSTEMS & APPLIED SCIENCES CORP	$5,009,158.00
SYSTEMS ARCHITECTS INC	$631,085.00
SYSTEMS RESEARCH CORP	$97,981.00
T B S SERVICE CO INC	$967,439.00
TECHNOLOGY DEVELOPMENT CORP	$3,802,033.00
TECHNOLOGY DEVELOPMENT OF CALIF	$1,386,641.00
TELE SIGNAL CORP	$351,000.00
TORRES VICTOR P CONSTRUCTION	$54,654.00
TRIAD MICROSYSTEMS INC	$1,316,284.00
UNIVERSAL BULDING CO	$337,612.00
UNIVERSAL ENERGY SYSTEMS INC	$2,374,039.00
VAL TRONICS INC	$570,000.00
VALTRONICS INC	$544,056.00
VER VAL ENTERPRISES INC	$323,266.00
WESTERN TECHNICAL ASSOCIATES	$31,600.00
WESTPORT PAINTING CO INC	$16,398.00
WILLIAMS FENCE CO INC	$44,621.00
WILSON JIMMIE L PAINTING & DECORAT	$148,500.00
TOTAL SMALL BUS 8A	$77,274,996.00

(Fiscal Year 1981)
(Small Disadvantaged Program)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL DISADV BUS/,R(45,$$$$,$$$
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,$$9.99CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END
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 REPORT:GE
 -473- NO ERRORS HAVE OCCURRED -
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NERATE OSWALT WH C103 EQ A AND C202 EQ 81:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200
 A C CO                                             $188,000.00
 A M A F INDUSTRIES INC                              $45,908.00
 ABBOTT PRODUCTS INC                                $502,332.00
 ALLIANCE ELECTRONICS                                $26,990.00
 AMEX SYSTEMS INC                                 $3,125,281.00
 ANALYSIS & COMPUTER SYSTEMS INC                    $966,047.00
 ANALYTIC SCIENCES CORP                             $180,339.00
 ANALYTICS INC                                       $31,072.00
 ANCHOR TANK LINING INC                              $11,110.00
 ANDERSON SYSTEMS INC                                $15,210.00


 ANDRULIS RESEARCH CORP                              $25,000.00
 ANTELOPE BUILDING MAINTENANCE                      $351,806.00
 ARROW JANITORIAL SERVICE                           $554,621.00
 ATLANTA CONSTRUCTION & MAINTENANCE                  $24,000.00
 ATLANTIC RESEARCH CORP                              $10,400.00
 AZIZA POOL SERVICE & RENOVATION                    $217,081.00
 B & D ELECTRIC CO INC                              $142,647.00
 B & W SERVICE INDUSTRIES INC                       $732,942.00
 B J PAINTING & GENERAL CONST                        $10,474.00
 BENNICK P J CO                                      $56,990.00
 BOMUR ELECTRIC CO INC                               $29,099.00
 BROKENBOUGH WILLA PARTIES                        $1,023,854.00
 BUSHEE ENGINEERING CO INC                           $14,684.00
 CAMPBELL O V & SONS INDUSTRIES INC                  $18,843.00
 CAPSULATED SYSTEMS INC                             $276,291.00
 CAR TED INDUSTRIES INC                             $520,000.00
 CARDENAS CONSTRUCTION CO                            $11,754.00
 CENTURY INDUSTRIES INC                             $239,066.00
 CITY DIFFERENT CARPETS                             $188,441.00
 CLEAN GIANT INC                                     $78,000.00
 COMPUTER SOFTWARE ANALYSIS INC                     $574,520.00
 CONSOLIDATED CLEANING CO                            $38,940.00
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COSMOS INDUSTRIES INC	$17,206.00
DE BAGA C CONSTRUCTION CO	$113,527.00
DEPARTMENT OF COMMERCE	$114,441.00
DIGICOMP RESEARCH CORP	$715,070.00
DONAHUE MAINTENANCE CO	$12,348.00
DUNN HOMER L DECORATING	$106,678.00
DYNA EAST CORP	$115,000.00
E & M AIRCRAFT PAINTING	$19,599.00
ECONOMICS TECHNOLOGY ASSOC	$342,058.00
ELECTRICAL SUPPLY CO INC	$10,540.00
ERNIES CONSTRUCTION CO INC	$70,000.00
F X C CORP	$1,751,658.00
FALLS JANITORIAL SERVICE INC	$949,429.00
FEDERAL BUILDERS INC	$24,950.00
FLINCHUM CONSTRUCTION CO INC	$685,641.00
FLOW RESEARCH INC	$222,779.00
FORD UNIVERSAL CARPET CO	$119,960.00
GEEENWAY RODNEY H INC	$300,000.00
GOODRICH ROOFING CO	$381,055.00
GOVERNMENT MARKETING SERVICES INC	$557,776.00
H H AEROSPACE DESIGN CO INC	$30,000.00
HALIFAX MACHINERY INC	$32,075.00
HARTEC ENTERPRISES INC	$150,000.00
HINKLEY J R & ASSOCIATES	$170,538.00
HOUSEKEEPERS MAINTENANCE SERVICE	$436,222.00
IMPERIAL PROFESSIONAL COATINGS	$33,472.00
INFOTEC DEVELOPMENT INC	$99,000.00
INPUT OUTPUT COMPUTER SERVICES INC	$821,350.00
INTER CON SECURITY SYSTEMS	$1,013,960.00
INTRELEX CORP	$26,200.00
J & J MAINTENANCE INC	$853,113.00
J & S ELECTRIC CO INC	$63,093.00
J M C CONSTRUCTORS INC	$168,035.00
J W M CORP	$4,650,739.00
JOBEAR INC	$59,997.00
JONES L M PAINTING & CONTRACTING	$24,650.00CR
KELBE EQUIPMENT CO	$22,035.00
KENNARD DELAHOUSIE & GAULT	$104,740.00
LUTECH INC	$160,000.00
MALONE F M JR ENTERPRISES INC	$71,598.00
MANDEX INC	$30,795.00
MAXWELL LABORATORIES INC	$236,200.00
MAYHEW CO	$42,877.00
MCKINNIE W T GENERAL CONTRACTORS	$19,297.00

METAL SUPPLY CO	$11,197.00
METRO BOSTON CONTRACTING CO INC	$76,797.00
MILTONS CARPET SERVICE	$11,214.00
MING INTERNATIONAL	$10,417.00
MULTI SERVICE MAINTENANCE CORP	$801,632.00
N W F CONTRACTORS INC	$74,182.00
NERO & ASSOCIATES	$5,273,915.00
NEW BEDFORD FLOOR COVERING CO	$123,468.00
O A O CORP	$1,774,583.00
OKALOOSA ASPHALT ENTERPRISES INC	$98,950.00
ORMABY W N ROOFING & CONST CORP	$157,000.00
ORNSBY W N ROOFING & CONSTRUCTION	$316,690.00
ORONCO CONSTRUCTUON CO	$18,500.00
P & L ELECTRIC INC	$34,275.00
P J R ENTEPRISES INC	$262,124.00
P P G INDUSTRIES INC	$32,000.00
PANDALAI COATINGS CO	$32,661.00
PARAMETRICS INC	$32,451.00
PECO ENTERPRISES INC	$42,491.00
PHYSICAL SCIENCES CORP	$237,998.00
PLANNED SYSTEMS INTERNATIONAL INC	$14,893.00
PLANNING SYSTEMS INTERNATIONAL INC	$49,997.00
POMPANO CONSTRUCTION CO INC	$81,723.00
PROFESSIONAL CONSTRUCTION SERVICES	$186,640.00
QUANTUM DYNAMICS INC	$41,645.00
RADEX CORP	$248,970.00
RAMSAY PRODUCTS INC	$314,933.00
RANDALL RESEARCH	$1,490,000.00
RAYCO PAINTING CO	$195,000.00
RAYMER CONSTRUCTION	$90,730.00
RESPOND TECHNICAL CO	$464,889.00
RICHARDSON CO THE	$88,638.00
RIGOLI PACIFIC CO INC	$12,400.00
RIO GRANDE ASSOCIATES INC	$80,000.00
RIVERSIDE CONSTRUCTION CO INC	$978,836.00
RIVERSIDE GENERAL CONTRACTORS INC	$21,000.00
ROCON INC	$23,900.00
ROVAZZINI ELECTRIC INC	$45,889.00
SAINT CLOUD ELECTRONICS	$16,654.00
SANTA CRUZ CONSTRUCTION INC	$743,978.00
SCIENTIFIC SYSTEMS INC	$562,208.00
SHIELDS & CO INC	$11,772.00
SONICRAFT INC	$1,843,430.00
SPECTRA RESEARCH SYSTEMS INC	$937,502.00

SPENCER JOHN W & ASSOCIATES INC	$32,121.00
STAFFCO CONSTRUCTION INC	$18,750.00
STARLITE SERVICES INC	$281,916.00
STERLING SYSTEMS INC	$60,504.00
STRUGHTON STEEL CO INC	$12,601.00
STUDWELL INC	$40,035.00
SUSQUEHANN RESOURCES & ENVIRONMENT	$40,590.00
SYSTEMS & APPLIED SCIENCES CORP	$3,408,503.00
SYSTEMS ARCHITECTS INC	$1,606,558.00
SYSTEMS RESEARCH CORP	$110,100.00
T B S SERVICE CO INC	$1,025,076.00
T R M SYSTEMS CORP	$22,350.00
TECHNOLOGY DEVELOPMENT CORP	$6,009,283.00
[illegible] DEVELOPMENT OF CALIF	$8,117,776.00
THUNDERBIRD SALES CORP	$12,189.00
TOTAL MAINTENANCE INC	$15,002.00
TRI GO ENGINEERING CO INC	$28,986.00
TRIAD MICROSYSTEMS INC	$559,565.00
TRIDENT DATA SYSTEM	$64,907.00
TYBRIN CORP	$371,166.00
U S CUSTOMS HOUSE	$124,730.00
U S TECHNOLOGIES CORP	$50,000.00
UNIFIED INDUSTRIES INC	$200,000.00
UNIVERSAL BULDING CO	$23,888.00
UNIVERSAL ENERGY SYSTEMS INC	$1,754,048.00
V T I INC	$264,000.00
W C H INDUSTRIES INC	$74,215.00
WAN LEE & ASSOCIATES INC	$19,806.00
WASHINGTON PATROL SERVICE INC	$1,676,175.00
WESTERN TECHNICAL ASSOCIATES	$23,281.00
WESTPORT PAINTING CO INC	$65,118.00
WILLIAMS INT'L CORP.	$291,458.00
WILSON ASSOCIATES INC	$11,747.00
TOTAL SMALL DISADV BUS	$70,550,765.00

(Fiscal Year 1981)
(8(a) Program)

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COMPOSE:FOR REPORT OSWALT,PHYSICAL PAGE IS 80 BY 0:SUPPRESS DETAIL:DE A=RSUM OF
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C228:DE AA=SUM OF C228:OB C2:AT END,PR (3)/TOTAL SMALL BUS 8A/,R(45,$$$$,$$$,$$9
---
.99CR)AA:FOR C2,AT END,PR C2,R(45,$$$$,$$$,$$9.99CR)A:FOR RECORD,CO A,AA:END REP
---
ORT:GENERA
 -473- NO ERRORS HAVE OCCURRED -
---
TE OSWALT WH C113 EQ 4 AND C114 EQ J AND C202 EQ 81:
 -479- LOWEST SELECTED RECORD COMMON TO ALL REPORTS IS 200    -
 ABBOTT PRODUCTS INC                                 $502,332.00
 AMEX SYSTEMS INC                                  $3,125,281.00
 ANDRULIS RESEARCH CORP                               $25,000.00
 ARROW JANITORIAL SERVICE                            $554,621.00
 B & W SERVICE INDUSTRIES INC                        $732,942.00
 CAR TED INDUSTRIES INC                              $520,000.00
 CLEAN GIANT INC                                      $78,000.00
 COMPUTER SOFTWARE ANALYSIS INC                      $574,520.00
 DEPARTMENT OF COMMERCE                              $114,441.00
 DIGICOMP RESEARCH CORP                              $715,070.00


 DUNN HOMER L DECORATING                             $106,678.00
 DYNA EAST CORP                                      $115,000.00
 ECONOMICS TECHNOLOGY ASSOC                          $342,058.00
 ERNIES CONSTRUCTION CO INC                           $70,000.00
 FALLS JANITORIAL SERVICE INC                        $949,429.00
 FORD UNIVERSAL CARPET CO                            $119,960.00
 H H AEROSPACE DESIGN CO INC                          $30,000.00
 HARTEC ENTERPRISES INC                              $150,000.00
 HINKLEY J R & ASSOCIATES                            $170,538.00
 INFOTEC DEVELOPMENT INC                              $99,000.00
 INPUT OUTPUT COMPUTER SERVICES INC                  $821,350.00
 J W M CORP                                        $4,650,739.00
 MALONE F M JR ENTERPRISES INC                        $71,598.00
 MANDEX INC                                           $30,795.00
 MCKINNIE W T GENERAL CONTRACTORS                     $19,297.00
 METRO BOSTON CONTRACTING CO INC                      $76,797.00
 MULTI SERVICE MAINTENANCE CORP                      $744,869.00
 NERO & ASSOCIATES                                 $5,273,915.00
 NEW BEDFORD FLOOR COVERING CO                       $123,488.00
 O A O CORP                                        $1,774,583.00
 ORMABY W N ROOFING & CC.[illegible] CORP             $14,000.00
 ORNSBY W N ROOFING & CONSTRUCTION                   $316,690.00
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P J R ENTERPRISES INC	$262,124.00
PANDALAI COATINGS CO	$32,661.00
PECO ENTERPRISES INC	$42,491.00
PLANNED SYSTEMS INTERNATIONAL INC	$14,573.00
PLANNING SYSTEMS INTERNATIONAL INC	$49,997.00
RAMSAY PRODUCTS INC	$80,269.00
RAYCO PAINTING CO	$195,000.00
RESPOND TECHNICAL CO	$484,889.00
RICHARDSON CO THE	$88,638.00
RIO GRANDE ASSOCIATES INC	$80,000.00
SANTA CRUZ CONSTRUCTION INC	$635,245.00
SCIENTIFIC SYSTEMS INC	$554,656.00
SONICRAFT INC	$1,843,430.00
STERLING SYSTEMS INC	$43,376.00
SYSTEMS & APPLIED SCIENCES CORP	$3,384,703.00
SYSTEMS ARCHITECTS INC	$1,431,676.00
SYSTEMS RESEARCH CORP	$110,100.00
T B S SERVICE CO INC	$856,099.00
TECHNOLOGY DEVELOPMENT CORP	$6,009,283.00
TECHNOLOGY DEVELOPMENT OF CALIF	$8,117,776.00
TRIAD MICROSYSTEMS INC	$559,566.00
U S CUSTOMS HOUSE	$124,730.00
UNIFIED INDUSTRIES INC	$200,000.00
UNIVERSAL ENERGY SYSTEMS INC	$242,278.00
W C H INDUSTRIES INC	$74,215.00
WAN LEE & ASSOCIATES INC	$19,806.00
WESTERN TECHNICAL ASSOCIATES	$23,281.00
WESTPORT PAINTING CO INC	$65,118.00
WILLIAMS INT'L CORP.	$116,109.00
TOTAL SMALL BUS 8A	$46,736,300.00

Mr. DeLuca. I am accompanied here by Mr. Dave Oswalt, the AFSC Command Executive for Small and Disadvantaged Business Utilization and Mr. Larry Jones, our Air Force Contract Management Division Small and Disadvantaged Business Utilization specialist.

I would like to begin by saying that Air Force Systems Command is fully committed to an effective small and disadvantaged business program. We believe that it makes sound sense to have a strong and small disadvantaged business community participating in our acquisitions because they can often offer unique specialization, innovation, and lower prices. Such firms are absolutely essential to maintaining a strong industrial base.

AFSC has maintained an outstanding small and small disadvantaged business record. The command has been selected 12 consecutive years for receipt of the Secretary of the Air Force Small and Small Disadvantaged Business Program Award for outstanding achievements.

We have received two special citations from the Deputy Secretary of Defense for Exceptional Small Disadvantaged Business Program Support. One was received in November 1979 and the other in July 1982.

Such accolades are the result of a dedicated command commitment to the Small and Small Disadvantaged Business Program.

AFSC is vigorously implementing the requirements of section 211 of Public Law 95-507 through the provisions of defense acquisition regulation section 1-707. I have provided as an attachment several questions and answers that elaborate on AFSC implementation.

[The questions and answers appear after Mr. DeLuca's prepared statement.]

Mr. DeLuca [continuing]. I do, however, want to highlight a few actions taken by AFSC which are not required by section 211 of Public Law 95-507, but which are designed to help assure proper implementation.

AFSC helped pioneer the small and small disadvantaged business subcontracting plan evaluation guidelines. These were to provide guidance to contracting officers on what type of assistance should be requested, what to look for, and what to do in meeting his or her responsibilities concerning the submission and evaluation of subcontracting plans. Such efforts resulted in Air Force guidelines distributed in January 1981 and DOD guidelines distributed in August of 1983.

The AFSC also pioneered the use of a divisional or plant master subcontracting plan to include all required elements set forth in section 211 for a subcontract plan with the exception of goals. This is now DOD policy.

The AFSC Executive for Small and Disadvantaged Business Utilization and the Air Force Director of Small and Disadvantaged Business Utilization visited major Air Force contractors and developed a list of key elements which are particularly innovative and effective in helping assure outstanding small and small disadvantaged business subcontract efforts. This list of key elements was forwarded to the chief executive officer of major Air Force prime contractors by Secretary Orr.

This is a very significant initiative because it provided a cross-feed of information on innovative elements which can give real impetus to small and small disadvantaged business subcontracting.

The Air Force Systems Command Contract Management Division developed a booklet, entitled "Selling to Air Force Prime Contractors" to better enable prospective small and small disadvantaged business subcontractors to know where to go and who to contact.

This has been given wide distribution and has been very well received by the small and small disadvantaged business community. We intend to widen our distribution through announcement in the Commerce Business Daily.

The AFSC Contract Management Division has a small and disadvantaged business utilization specialist that makes periodic visits to each of the prime contractors under AFSC contract administration cognizance. He reviews contractor efforts and assures that the small and disadvantaged business utilization specialists located at the contractor's facility are properly carrying out their jobs.

Each year the AFSC AFCMD commander holds a conference with company chief executive officers for contractors under AFSC contract administration cognizance. The Small and Small Disadvantaged Business Subcontract Program is always on the agenda and the importance of this program is stressed.

In closing, I want to emphasize that AFSC is oriented toward doing as much business as possible with small and small disadvantaged businesses. We believe in the importance of such firms maintaining a strong industrial base. It is our desire to make every effort to assure proper implementation of section 211 of Public Law 95-507.

I'll be pleased to address any questions at this time.

Mr. Addabbo. Thank you very much, Mr. DeLuca. Again, your plans and statements are positive, and show promise for the future. But, again, as we look at the figures they seem to sometimes go the other way.

One particular case, take the F-15, which is a $3.4 billion program. You were able to break out for small business a goal of about $198 million, or 11 percent.

Then when we get to small and disadvantaged businesses you were only able to break out $12 million, or seven-tenths of 1 percent.

Why would that be such a small percentage?

Mr. DeLuca. Mr. Chairman, I don't have those figures in front of me today. I'd like to supply that answer for the record.

Mr. Addabbo. OK.

Captain Harrington?

TESTIMONY OF CAPT. PHILLIP H. HARRINGTON, SUPPLY CORPS, U.S. NAVY COMMANDING OFFICER, NAVAL REGIONAL CONTRACTING CENTER, LONG BEACH, CA, ACCOMPANIED BY SHERYL CABEY, SMALL AND DISADVANTAGED BUSINESS UTILIZATION SPECIALIST

Captain Harrington. Mr. Chairman, I'm Capt. Phillip Harrington, commanding officer of the Navy Regional Contracting Center in Long Beach, CA.

It's a pleasure to discuss with you the implementation of section 211 of Public Law 95-507 of my command. Since you have my written statement, rather than read it at this time, I request that it may be made part of the record.

Mr. ADDABBO. Your entire statement will be made part of the record.

Captain HARRINGTON. With your permission I'll summarize my written statement.

During the period fiscal years 1981 to 1983 to meet a changing environment within my region three activities were granted on unlimited procurement authority. This resulted in a decline in my business base that was more rapid than expected. However, despite this decline the percentage of dollars awarded to small business increased significantly during this period, and, in fact, exceeded our expectations.

To expand small business access to the procurement process at NRCC, Long Beach, every procurement which exceeds $10,000 is reviewed by a contract specialist, a contracting officer, and the small disadvantaged business utilization specialist to determine if that procurement could be set aside for small business.

If the requirement is not recommended for a set-aside to small business, the Small Business Administration Procurement Center representative is given the opportunity to review the procurement package.

NRCC, Long Beach, we invite all small disadvantaged and women-owned businesses to compete on every procurement over $25,000 which falls within their category of supplies and services.

We also synopsize our requirements which exceed $10,000 in the Commerce Business Daily, and post the solicitations at the entrance to NRCC, Long Beach in an attempt to expand the number of sources aware of our requirements. We also synopsize all awards over $25,000 in the Commerce Business Daily to alert small businesses to subcontracting opportunities.

I'd like to point out that 55 percent of the number of contracts greater than $25,000 that we awarded in fiscal 1983 went to small business. With respect to small business subcontracting plans our implementation of section 211 of Public Law 95-507, is an iterative process that involves the review of each subcontracting plan by a contract specialist, the small and disadvantaged business utilization specialist, the Small Business Administration Procurement Center representative, the regional Small Business Administration specialist, and the contracting officer. This has been a very effective process in implementing the program at NRCC, Long Beach.

For example, despite our declining base, the subcontracts planned to be awarded to small businesses, and small disadvantaged businesses have increased in each of the last 3 fiscal years. Subcontracts planned for award to large businesses have declined during that same period.

The Navy Regional Contracting Center, Long Beach, also has an aggressive outreach program. We participate in the congressionally-sponsored procurement conferences, present training sessions to small business on such things as how to contract with the Government, counsel individual firms, and undertake similar efforts.

Last Friday, for example, we met with the Los Angeles Minority Business Development Center to firm up the planning for a 3-day procurement seminar that I'm putting on. We work with 8(a) firms to market their ability within my region, and right now are negotiating with the Small Business Administration for the award of a $75 million multiyear contract to Computer Technology Associates, an 8(a) firm.

Although I believe we have an effective subcontracting program, the use of a standard checkoff list for subcontract plan evaluation, an automated tracking system to insure the timely receipt of reports, and an internal, independent analysis of those reports, steps that I am implementing, will make the system even better.

Mr. Chairman, I'd be pleased to answer any questions you may have, and thank you.

[Captain Harrington's prepared statement follows:]

PREPARED STATEMENT OF CAPT. PHILLIP H. HARRINGTON, SUPPLY CORPS, U.S. NAVY COMMANDING OFFICER, NAVAL REGIONAL CONTRACTING CENTER, LONG BEACH, CA

Mr. Chairman, members of the subcommittee, I have been requested to discuss certain aspects of the implementation and operation of Section 211 of Public Law 95-507 at Naval Regional Contracting Center (NRCC), Long Beach, California. To address these issues, I have divided my statement into five areas: small business goals and achievements; the implementation of section 211 of Public Law 95-507 at NRCC Long Beach; subcontracting goals, achievements and problem resolution; outreach efforts; and planned improvements to the program at NRCC Long Beach.

TABLE 1

NRCC LONG BEACH

	FY 81	FY 82	FY 83
Dollar Value Awarded (000)	499,433	335,373	251,701
Planned Base (000)	400,000	435,415	382,440
Small Business Goal $ (000)	128,000	81,072	88,437
Small Business Actual $ (000)	106,769	75,510	67,742
Small Business Actual %	23.8%	22.5%	26.9%
Small Disadv Goal $ (000)	18,500	12,000	14,000
Small Disadv Actual $ (000)	11,570	12,958	6,219

Table one displays the performance of NRCC Long Beach in the areas of small business awards and awards to small disadvantaged businesses during fiscal years 1981, 1982 and 1983. From Table I you can see that the dollar value of contracts awarded by NRCC Long Beach has declined for the past three fiscal years. This decline was expected and occurred as a result of a realignment of procurement authority within my region to meet a changing environment. To more effectively respond to the requirements of our customers, the Naval Weapons Center, China Lake; the Naval Supply Center, San Diego; and the Naval

Ocean Systems Center, San Diego were granted unlimited contracting authority. Table 2 shows these activities' growth in procurement volume during this period. As you can see, it mirrors our decline.

TABLE 2

TOTAL "OTHER" UNLIMITED ACTIVITIES

	FY 81	FY 82	FY 83
Dollar Value Awarded (000)	171,249	299,464	407,654
Small Business Actual (000)	88,294	107,876	130,150
Small Business Actual %	51.6%	36.0%	31.9%
Small Disadv Actual (000)	6,495	18,228	16,293

However, despite our declining dollar base, Table I clearly shows that NRCC Long Beach did significantly increase the percentage of our dollars awarded to small business, 26.9% in FY83 vs 22.5% in FY82.

NRCC Long Beach affords small business and small disadvantaged business the maximum opportunity for participation in our procurements. In our process, every procurement which exceeds $10,000 is reviewed by the assigned contract specialist for possible small business set-aside or acquisition through the 8(a) program. The contract specialist's recommendations are then reviewed by the Contracting Officer and the Small and Disadvantaged Business Utilization Specialist (SADBU). Among other things, the SADBU specialist reviews the requirement for small business set aside and section 8(A) award, suggests additional small business sources or recommends the breakout of portions of the statement of work for small business participation. Unless the procurement package is a 100% small business set aside, the package is reviewed by the Small Business Administration (SBA) Procurement Center Representative (PCR). All small disadvantaged and woman owned small businesses on NRCC Long Beach source lists are solicited on every competitive solicitation that falls within their category of supplies or services.

Finally, although it will not be reflected in our Fiscal year 1984 statistics, I am involved in a very significant 8(a) undertaking. NRCC Long Beach is currently negotiating with the SBA for the award of an 8 year, 75 million dollar ADP services contract to an 8(a) firm. My office is awarding this 8(A) contract for The Naval Weapons Center, China Lake. This contract provides for the issuing of orders under it which, when issued, will be credited to NWC China Lake in their 8(A) statistics. Notwithstanding which activity gets the credit, the fact remains that all are vigorously pursuing the award of a major contract to an 8(A) firm.

I would now like to address the implementation of section 211 of PL 95-507 at NRCC Long Beach.

In all solicitations greater than $500,000 issued by NRCC Long Beach, except those set aside for small business or offered to the Small Business Administration (SBA) under the 8(a) program, we include both the "Utilization of Small Business and Small Disadvantaged Business Concerns" clause and the appropriate "Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns" clause. When the Subcontracting Plan is received, the contract specialist assigned to the procurement reviews it for compliance with the 6 elements required by the "Subcontracting" clause. Upon completion of that analysis, the Plan, together with the contract specialist's comments, is reviewed and approved at a level higher than the contract specialist. Those plans not approved, are returned to the contractor for correction and resubmission.

The Small and Disadvantaged Business Utilization Specialist (SADBU) also reviews Subcontracting plans. If she does not agree with the Plan, it is returned to the Contractor for correction and resubmission.

Also, all the approved Plans are sent to the SBA Procurement Center Representative (PCR) for review and comment. Coincident with PCR review, the contents of the Plan are made available to the SBA Subcontracting Specialist in the Region where the Prime Contractor is located. The comments of the Regional Subcontracting Specialist are joined with those of the PCR and returned to the Contracting Officer for appropriate action. If the Plan is not acceptable to the PCR, the plan is returned to the Contracting Officer and ultimately the Plan is returned to the Contractor as appropriate. After the plan is approved at all levels, it is incorporated into the contract. Copies of the contract, with the Plan, are distributed to the SADBU specialist, the PCR and the Administrative Contracting Officer.

The process at NRCC LB is an iterative process of reviews, culminating in approval. The Contracting Officer has the regulatory requirements to approve or disapprove the Plan, but as I have testified, the plan is the result of the collective efforts of the contract specialist, the SADBU specialist, the PCR, the SBA Regional Subcontracting Specialist and the Contracting Officer. It is truly a team effort, as it should be, and it produces good results. For example, during the last fiscal year, NRCC Long Beach awarded 65 contracts which contained subcontracting plans. Over the life of these 65 contracts, more than $27 million in subcontracts is targeted for award to small and small disadvantaged businesses.

You also asked that I address "...subcontracting goals for small and small disadvantaged business and how the goals were established ..." Activity subcontracting goals, for total awards under an activity's approved subcontracting plans, are normally assigned only to activities with major responsibilities for contract administration. NRCC Long Beach normally delegates administration of prime contracts to the Defense Contract Administration Service which is assigned subcontracting goals by the Department of Defense. NRCC Long Beach is not assigned a subcontracting goal.

Table 3 addresses our experience with subcontracting plans.

TABLE 3

Subcontracting Plan Data

	FY 81	FY 82	FY 83
Total Contract Awards (000)	449,433	335,373	251,701
Small Business Awards (000)	106,769	75,510	67,742
Small Disadv. Awards (000)	11,570	12,958	6,219
Large Business Awards (000)	329,641	245,758	177,277
Number Subcontract Plans Accepted	45	55	65
Total Subcontract Commitments (000)	28,193	39,818	44,605
Negotiated Subcontracting Goals			
Subcontracts to Sm. Business (000)	12,323	13,360	25,996
Subcontracts to Sm. Disadv. (000)	634	948	1,375

As can be seen from the table, despite the business base decline, the number of subcontracting plans and commitments to small business is increasing. This is the result of our doing an increasingly better job of implementing P.L. 95-507 and of increased awareness by our prime contractors. With regard to how frequently prime contractors submit an unacceptable subcontracting plan; based on information obtained from the resident Procurement Center Representative, about 55% of the subcontracting plans submitted contained some deficiencies. The predominant reason that plans were cited as deficient by the PCR was because the contractors did not include in their subcontracting plans their procedures for monitoring compliance at the subcontractor level. Since DOD contracting regulations do not require this monitoring by prime contractors, we accept subcontracting plans which do not contain these procedures. In all other cases where correction is needed, we return the subcontracting plan to the contractor for action. I have already described this process in my statement. Rarely is a subcontracting plan rejected by the Procurement Center Representative because we differ on goals. The Procurement Center Representative could only recall one such instance in Fiscal Year 1983.

Regarding noncompliance with a subcontracting plan, I have no knowledge of any prime contactor in willful disregard of Section 211 of PL 95-507. However, should that occur, we would take appropriate and immediate action to put the contractor on notice that failure to comply with the subcontracting plan would be a material breach of the contact. Should the contractor fail to correct the deficiency, or fail to make a good faith effort to do so, we would begin termination action.

Our outreach efforts in support of small business and small disadvantaged business cover a wide spectrum, from such ordinary things as helping small and disadvantaged businesses to get on our bidders mailing list, to the more creative efforts, such as developing a special clause for our solicitations which encourages small businesses that may not have the capability to undertake an entire contract, to subcontract with another company to complement their qualifications. Perhaps the most effective outreach effort is the daily contact that our SADBU specialist has with potential contractors. NRCC Long Beach is fortunate to have an outstanding SADBU Specialist. She has grown up in procurement, from small purchase through senior contract negotiator and is, therefore, well able to lead her small business and small disadvantaged business clients through the procurement process. My policy is that small business support is the responsibility of all contracting personnel and together with the SADBU, we are all proponents of the small business program.

As I have previously noted, we invite all small disadvantaged and woman owned businesses to compete on all competitive solicitations. We synopsize our requirements which exceed $10,000 in the Commerce Business Daily and post the solicitations at the entrance to NRCC Long Beach in an attempt to expand the number of sources made aware of our requirements. We also synopsize all awards over $25,000 to alert small businesses to possible subcontracting opportunities. A final crosscheck occurs at the Contract Review Board. The function of the Contract Review Board is to review each request for proposal of more than $100,000 to ensure that it makes good business and procurement sense. One of the items on the Review Board checkoff list that must be addressed by the negotiator is whether or not a subcontracting plan is required for the procurement under review.

In addition to providing general procurement information to interested parties, we have a referral policy where we refer small businesses to other activities in those cases where they offer products or services which we do not procure. We provide pamphlets such as "Selling to the Military" and "How to do Business with NRCC Long Beach" to interested parties. We also provide these pamphlets, together with samples of competitive solitations, to Federally Sponsored Procurement Seminars. We have a full time Competition Advocate who reviews all sole source requirements over $50,000 to see if the requirement can be rewritten for competition or if a portion of the requirement could be broken out for competition. A second Competition Advocate is currently being recruited. Members of my Command have made presentations to various small business organizations within the Los Angeles area. Since reporting aboard last July, I have participated in a Procurement Conference in Whitter, California, sponsored by Congressman Torres and in a small business conference in San Diego. We routinely make use of the SBA's Procurement Automatic Source System (PASS) to obtain additional small and small disadvantaged sources for our requirements. Our SADBU Specialist has been a member of the Executive Board of the California Small Business and Economic Utilization Council for the past 2 years and during fiscal years 83 and 84, the SADBU Specialist has:

*Participated in 6 Congressionally Sponsored Procurement Conferences in our area.

*Arranged for 18 presentations by 8(a) firms to various requiring activity technical groups.

*Presented a training session on "How to Market to the Government" and "How to Prepare a Bid" in seminars sponsored by the Southern California Small Business and Economic Utilization Council of Van Nuys, California.

*Attended 2 SBA Presidential Southwest Border Initiative Conferences, one in Las Cruces, New Mexico, the other in El Paso, Texas.

*Counseled over 150 firms on an appointment basis as well as numerous others on a drop in basis.

*Participated in the Small Business Innovative Research Conference sponsored by the Orange County Chamber of Commerce.

*Participated in a Buy Indian Act Conference in Los Angeles.

In addition to these, my Command is preparing to conduct a 3 day procurement workshop next month which is being sponsored by the Los Angeles Minority Business Development Center. We are also scheduled to participate in an SBA Veterans Day Conference this month. We are proud of our outreach efforts.

The last item to be discussed is my plan to improve the operation of the subcontracting program at NRCC Long Beach. The foregoing has outlined the active program we have implemented at NRCC Long Beach. However, there are always improvements that can be made. I have undertaken three initiatives at my Command that I believe will result in improvements.

First, we have fully implemented a comprehensive Contracting Officer's guide that provides added assurances that each aspect of a subcontracting plan is weighed against the relevant requirement of the subcontracting clause.

Second, I am establishing an automated subcontracting plan tracking system to ensure the timely receipt of the Subcontracting Report for Individual contracts. This is an alert system that will enable us to quickly identify delinquent reports so that we can notify the contractors to submit them.

Third, I have directed that an independent analysis be performed of subcontracting reports received. This analysis will be used by the Contracting Officer in pre-contract negotiations, during the subsequent contract performance period and upon completion of the contract.

Mr. Chairman, I believe that the program at NRCC Long Beach is meeting the objectives of Section 211 of P.L. 95-507 and that our planned actions will make us even more effective. I would be pleased to answer any questions that you may have. Thank you.

Mr. ADDABBO. Thank you very much.

Captain, are you a subcontracting officer?

Captain HARRINGTON. No, sir, I'm the commanding officer. With me is Ms. Sheryl Cabey, who is my small and disadvantaged business utilization specialist.

Mr. ADDABBO. For each of you gentlemen how many contracts have you actually awarded that did not contain subcontracting plans? Do you have that available, General?

General STALLINGS. Sir, I think I'd better furnish that for the record.

[The information referred to above follows:]

The following are the total numbers of contracts awarded by my office in fiscal years 1981, 1982, and 1983 which did not contain subcontracting plans and the dollars obligated in these contracts. This information is not available for 1980.

	Number of contracts without subcontracting plans	Dollars obligated in contracts without subcontracting plans
Fiscal year:		
1981	1,001	176,417,000
1982	674	46,585,000
1983	429	33,223,000

These are contracts which do not require subcontracting plans, i.e., (1) contracts of less than $500,000 in value, (2) contracts over $500,000 awarded to small or small disadvantaged businesses, and (3) large business contracts over $500,000 which were determined to contain no subcontracting opportunities.

Mr. ADDABBO. All right, please supply for the record how many contracts did not contain subcontracting plans, and also translate this into dollars for fiscal year 1980, 1981, 1982, and 1983.

Also supply for the record what percentage of your contracts in excess of $500,000 were awarded without plans because they contain no subcontracting opportunities.

[The information referred to above follows:]

During fiscal years 1981, 1982, and 1983, only 8 percent of our large business contracts over $500,000 were determined not to require plans because they contained no subcontracting opportunities.

Mr. ADDABBO [continuing]. General, how does the contracting officer determine if subcontracting opportunities exist? Can you give me a short explanation, and can expand it for the record.

[The information referred to above follows:]

The data for fiscal year 1980 is not available. For fiscal year 1981, there were 47 contracts over $500,000 awarded to a large business that did not contain a plan. The dollar value of the 47 contracts was $328,085,000. The data for fiscal year 1982 was 71 contracts worth $595,173,000 and for fiscal year 1983, 65 contracts worth $286,075,000. The percentage of the contracts that did not contain a plan because there were no opportunities for subcontracting is not readily available. I would expect that lack of such opportunities would be the pricipal reason for no plan.

General STALLINGS. The contracting officer has, of course, the small business specialist there in his command to help. He can also go to the Small Business Administration locally to help search things out.

Of course, he deals with the contractor, and hopefully that contractor is going to be in a search for seeking out these people. One of the good ways to do it, that was addressed up here earlier, is to put an incentive in the contract whereas he will share—you know, once he decides on a goal, it becomes part of the contract, and the ACO and the PCO agree to it, then a good way to do that is to have some sort of an incentive in the contract. So I would say that he has the opportunity. He has his own small business specialist. He has Small Business Administration folks to help him seek these out. Then he has the contractor that he's dealing with to motivate the company to get out and seek these people, too, sir.

Mr. ADDABBO. Mr. DeLuca, are you a subcontracting officer?

Mr. DELUCA. No, sir, I'm not. I have Mr. Oswalt here who is our AFSC small and small disadvantaged business specialist.

Mr. ADDABBO. Would your procedure be similar to that of the Army?

Mr. OSWALT. I'm the AFSC executive for small and small disadvantaged business.

Mr. ADDABBO. Well, you've heard the description of the activities of the Army. Is your activity similar?

Mr. OSWALT. Mr. Chairman, I was writing the questions to which we must submit data for the record, and didn't hear what General Stallings said.

Mr. ADDABBO. OK.

Mr. DELUCA. Mr. Chairman, I can answer that if you'd like. Yes, our provisions are very similar. Typically the PCO would look at the work to be performed to determine if, indeed, any subcontract opportunities exist.

His decision is reviewed by his superior, as well as reviewed by the SAOBUS, which is what we call the small and disadvantaged business utilization specialist.

In addition, contracts are reviewed by our contract review committee.

Depending on dollar value, the contract is, in turn, forwarded up to Air Force Systems Command for manual approval, and is again reviewed. So I think the procedures are there, and adequate to insure that the subcontracting opportunities are reviewed.

Captain **Harrington**. Mr. Chairman, our procedures are similar to that, other than they are much larger activities than we are. We make an implied assumption that subcontracting opportunities do exist in those contracts over the $500,000 threshold. Then if a subcontracting plan came in where it recommended zero goals we'd have to analyze that. We use the services of our SADBU, the PCR, the SBA rep in the field, and DCAS, to verify that the zero goals are appropriate.

But we make the assumption that opportunities do exist and analyze their plan, because that's one of the issues that a contractor has to address in his plan, what he is doing, how he is doing it.

Mr. **Addabbo**. So does your contracting officer use the PASS system, and how helpful is this to the identifying potential small and minority business subcontractors?

General **Stallings**. The PASS system is, if I understand your question, a form of accounting to keep up with the contracts within a command so that they can develop their statistical analysis to insure that they're doing their business in a good manner.

The PASS system is the basis for being able to look and see how much business is done at the small business area, and small disadvantaged area. I would say that it is a positive force, plus it's our basic way of accounting for the business that's going on. Yes, sir, I'd say it's positive.

Mr. **DeLuca**. Sir, I'd like to defer to Mr. Oswalt to answer that.

Mr. **Oswalt**. Mr. Chairman, our contracting officers, on a case by case basis, do obtain PASS system sources from the SBA Procurement Center representative, and it's a mixed bag. Some feel that good sources are received, but I think for the most part that there are more negative comments received than positive comments on the effectiveness of the PASS system.

Mr. **Addabbo**. Captain?

Captain **Harrington**. Mr. Chairman, we do utilize the PASS system, and, in fact, I agree there are deficiencies in it.

Our contracting officers don't use it though, Mr. Chairman. It's used by our small disadvantaged business utilization specialist during her review of potential sources for the contracts.

If the contractor we're dealing with is not aware of it, or if the small business is not aware of it, we do provide them with this handout so that they can register themselves in this system.

I think the deficiency is of not trying to do a good job. It's like with any large data base. It's very difficult to keep it current, with businesses being added, and going out of business, that's the feeling we have. But it's certainly an effective system. It is being improved through terminal access. I know it's been a source within Navy Regional Contracting Center. So I think it is an effective system. I think it will get better as we make more use of it, and as the data base is cleaned up.

Mr. ADDABBO. We have discussed this morning the question of incentive clause.

General, what percentage of your contracts actually contain incentive clauses? Do you know?

General STALLINGS. Sir, I'll have to furnish that for the record.

Mr. ADDABBO. Tony?

Mr. DELUCA. Very, very few, Mr. Chairman. We do have some at our Electronic Systems Division. However, I think if you look at the focus, where the focus should be, it is on management on the part of the contractor.

Consequently, where we have used an incentive it's been more in the form of an award fee. An award fee in this case is a subjective judgment on the part of the Government, and that's not subject to disputes.

We have found that it works fairly well, but its frequency and use in contracts is very, very low.

Mr. ADDABBO. Who determines when an incentive clause should be included in the contract?

Mr. DELUCA. On the most part it would be the PCO, sir.

Mr. ADDABBO. Do you know of any case where contractors have actually exceeded their goals and requested incentive fees?

Mr. DELUCA. I'd have to get that information for the record, sir, on those up at ESD.

Mr. ADDABBO. General?

General STALLINGS. I know of one case, RCA at Fort Monmouth, has requested that they receive payment against an award fee because their contract, as I recall, said that they will attempt to get 85 percent small business subcontracting and they actually came up with over 90 percent, and they're asking for an award.

It's sort of controversial right now because they didn't do very well on their small disadvantaged business, so the contracting officers have a tough call.

We have not had occasion to use incentive clauses in conjunction with subcontracting plans. Our contracts containing plans are mostly for engineering and technical services work of an indefinite nature. We have not felt that these contracts permitted the precise quantification necessary to establish monetary rewards for specific subcontracting achievements.

Mr. ADDABBO. Let me ask you for the record that each of you for the percentage of your contracts that actually contain incentive clauses, and how many contractors have actually exceeded their goals and requested incentive fees.

[The information referred to above follows:]

In Fiscal Year 1981, the percentage of DARCOM contracts with subcontracting plans that also had an incentive provision was 8 percent. The data for Fiscal Year 1982 and Fiscal Year 1983 is 6 percent and 5 percent respectively. Data on how many contractors have requested incentive fees is not readily available. It appears, however, that the number is quite small.

Mr. ADDABBO [continuing]. Mr. Daub?

Mr. DAUB. Thank you, Mr. Chairman. I've got a leaky pen on my hands.

Mr. WYDEN. A big business pen.

OPENING STATEMENT OF HON. HAL DAUB, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. DAUB. It's the kind that might come out of some of these deals.

Mr. Chairman, let me take this opportunity to commend you on initiating this three part series of oversight hearings to investigate compliance with the Federal Subcontracting Program for Small and Small Disadvantaged Businesses. Now that Federal law mandates that most Federal contracts over $500,000 ($1 million, if for construction) must contain a subcontracting plan for the award of subcontracts to small business, this committee has a vital function to assure compliance. I look forward to listening to our witnesses this morning, as well as over the next two hearings and again commend you, Mr. Chairman, on holding these hearings.

Of course, I'm happy to see green in front of me because I am an Army brat, and grew up in the system, and I appreciated the former member of DARCOM, General Guthrie, who was one of my commanding officers in the 2d Infantry Division in Korea. So I happen to when I got to this 10 mile square bounded by reality look him up, and got a chance to go through a 2 hour briefing at DARCOM, and get a good oversight of what you all do, what you're up against from mandates from Congress, and concerns by small and disadvantaged business.

I enjoy being on this committee because of this particular subject. I spent a lot of time, as our chairman today knows, on the 8(a) subject. It's an area in which I developed some degree of knowledge. I think its goals are laudible. I think it creates enormous numbers of problems for everyone who tries to work intently, and forthrightly with delivering the stated goals and commitments that are involved in 8(a).

I think we fall into a trap by and large, ladies and gentlemen, when we try to quantify rather than use the quality opportunity that exists for the delivery of expertise in training and business opportunity, not so much within the small business area, but within the small and disadvantaged category.

I find the use of percentages extremely misleading. Not only dollar volume sometimes, but the number of minority business people who actually get contracts, or economically or socially disadvantaged people is a concern of mine. There might be a more important way, more useful way of deciding, rather that, for example, looking at a decline in the numbers to 916, as shown on your chart, General Stallings, that you might look at how many subcontracts are met in terms of the numbers of people that are actually working on jobs, within the framework of those kinds of awards. That might be a better way to see it for fulfilling the mandates of the law.

Tell me, if each of you would, what is the overall attitude that you find contractors displaying to you when they are in a quandry over how to set aside a disadvantaged percentage within the small business designation? I mean what do they tell you: That there's nobody out there that they can find to help them do the quality work, or what are their concerns as they try to fulfill their stated contract with you? There has to be somebody out there that is very unhappy with being put in a position of trying to build a communication system, or a building, because maybe they're not going to be able to get the contract because they can't comply with that mandate.

General STALLINGS. Mr. Daub, I think some of the comments range everywhere from the fact that as you move into small business and small disadvantaged business, I mean, in a very technical area, it sometimes in certain regions is very hard to find people who have the requisite skills to be able to do what that contractor has to produce. That is one of the comments. Contractors in some specific areas also may find it difficult to find small disadvantaged businesses at all in that particular region.

But as you understand, as you said better than I am saying now, that will differ depending upon what part of the country you are in and whether you are trying to make a turbine engine or whether you are looking at contracting out for base operations, which is certainly a difference in the type of business that you are going to, or the opportunities that you might have.

I really wish I could give you a better answer, Mr. Daub. I think that the people that you are going to hear from civilian industry are the people that are going to be able to answer that better than I can, what their specific problems are.

Mr. DAUB. Do you find that you are ever behind schedule and unable to get things done when they should be done because of the requirements of complying with these particular provisions?

General STALLINGS. Mr. Daub, we find that across the board. There is no way that I am going to tell you that it happens just because it is with a small business. We find that a large number of our contractors are late on their deliveries, and that is equally true with the large contractors as it is with the small disadvantaged.

I am giving you a personal opinion here now: I do not think that we are hurting the defense industry or people are producing slow just because we are dealing with small disadvantaged or a small business.

I think that in most cases they are able to produce a quality product that they signed up to deliver.

Mr. DAUB. That is my opinion, too. Thank you.

Mr. DeLuca.

Mr. DELUCA. Mr. Daub, yes, I would echo some of the things that General Stallings says, but I think more importantly, we need to look at what efforts, some of our contractors have been taking to ensure that the opportunity exists to contract with small and small disadvantaged business.

I know that one of the areas Major General Stallings alluded to was a lack of a particular firm in a geographical location. We have one contractor located in the State of Washington who has a limited number of small and small disadvantaged businesses present in his geographical area, but the contractor has taken positive steps. He currently has full-time personnel assigned in Los Angeles and also Chicago whose sole job is to search out high technology small and small disadvantaged businesses.

So, I think there are quite a few reasons, not just one, that would preclude it. I think we need to look at what positive steps are being taken to ensure that we can get over those hurdles, so I would kind of go along with what Dave said.

Captain **Harrington**. Mr. Daub, I would like to echo what they are saying, but I think we have been fortunate in my area, which is the Long Beach area, and have a very strong and healthy rapport with the SBA and my own SADBU's, and with the technical community.

We have been marketing the abilities of small business. In fact, it was the naval weapon center, China Lake that was very instrumental in arranging for identifying, listening to the presentation, and ultimately selecting for negotiation this $75 million contract that we expect to run over the next few years. We have had good success. I think that there have been past perceptions of its hard to do business. As we have been more successful in our region, success has bred success. Our people are more enthusiastic because they see it producing results.

So, I would say, overall, I see it a more positive thing. That does not in any way mean that we have arrived or are even close to it; it is just that it is becoming easier and the acceptance is better.

Mr. **Daub**. I am very glad to hear that. That is important, too, for the record. Probably more criticism comes in another direction and that is simply that there is sometimes an argument over who graduates and who does not from the eligibility rules under 8(a) rather than this question.

I pursue it for this reason, though. I would like you to submit for the record, if you would, for 1981, 1982, and 1983, the names of the businesses that were small and disadvantaged that did businesses within your jurisdictions. I would like to see that in terms of name, and in terms of dollar amount.

[The information referred to above follows:]

TABLE 4
AWARDS TO SMALL AND DISADVANTAGED FIRMS PURSUANT TO SECTION 8(a) OF THE SMALL BUSINESS ACT

FIRM	MATERIAL OR SERVICE	DOLLAR AMOUNT
	1981	
Grover Contract Services	Mess Attendant Serv	$1,127,151.60
Hamilton Enterprises, Inc	Mess Attendant Serv	$ 548,995.77
Smith Engineering & Contract Services, Inc 330 12th Street Richmond, CA 94801	Library Services	$ 624,103.00
West Tech Sys, Inc Western Tech Assoc. 5730 Arbor Vitae St. Los Angeles, CA 90045	Mailing Services	$ 595,944.00
Galvan Enterprises, Inc P.O. Box 473 Coronado, CA 92118	Mess Attendant Serv	$ 431,590.00
Contract Service Assn.	Auto Loudspeaker Control	$ 18,741.21
Booker Painting	Labor & Material for Plant	$ 84,159.14
Inter Systems, Inc 6201 Leesburg Pike Falls Church, VA 22044	Telecommunication Needs	$ 351,172.00
Rehab Group, Inc 5827 Columbia Pike Falls Church, VA 22041	Evaluate Psychometric Characteristics	$ 330,436.00
Western Technicnical Assn.	Asbestos Insulation Survey	$ 53,790.14
The Gilco Co.	Repairs to Warehouse	$ 40,984.00
Bay City Marine	Clean Underwater Hull	$ 78,000.00
	1982	
Hamilton Enterprises, Inc P.O. Box 15036 Sacramento, CA 95851	Food Services	$ 611,060.90
Sam's Electronic Assembly, Inc 105 West 35th St. National City, CA 92050	Electronic Components	$ 326,879.00

Del Mfg. Company 950 Richmond St. Oxnard, CA 93030	Signal Cartridge	$2,971,415.46
Lee Engineering Corp. 5 Thomas Mellow Circle San Francisco, CA 94134	Design Services	$ 95,000.00
Respond Industries, Inc 930 Centinela Ave. Inglewood, CA 90302	Repository Servies	$ 86,000.00
Western Technical Assoc. 5730 Arbor Vitae St. Los Angeles, CA 90045	Respository Services	$ 142,499.00
Inter Con Security Systems 731 So. Security Ave. Alhambra, CA 91801	Fire Watch	$3,773,067.00
Hartec Enterprises, Inc	Shell Assembly	$ 112,000.00
	1983	
Inter Systems, Inc		$ 18,480.00
Automated Services Group 700 Roeder Rd. Silver Spring, MD 20910	Tech Support	$ 265,109.00
Respond Industries 930 Centinela Ave. Inglewood, CA 90302	Repository Service	$ 820,000.00
Inter-Con Security 731 So. Garfield Ave Alhambra, CA 91801	Fire Watch Services	$ 200,000.00
Republic Management Systems and Computer Services, Inc. Trevase, PA	Configuration Management Services	$ 273,157.00

OTHER AWARDS TO SMALL AND DISADVANTAGED FIRMS

FIRM	MATERIAL OR SERVICE	DOLLAR AMOUNT
	1981	
Olympic Graphics Sys	Drawing Printing	$ 14,304.62
Del Mfg. Company 950 Richmond St. Oxnard, CA 93030	Harpoon & Harm Missile Support	$ 86,907.58
Military Services, Inc of Georgia P.O. Box 630248, OJUS Branch Miami, FL 33163	Food Services	$ 428,618.00
Computer Engineering Assoc, Inc 65 E. Main Street Avon, MA 02322(J)	Data Transcription & Verification Functions	$ 177,457.00
Quality Foam Packaging	Transit Case IAW Specs	$ 18,658.00
Galvan Enterprises P.O. Box 473 Coronado, CA 92118	Food Services	$ 623,424.80
Bay Decking Co., Inc 21 Commercial Blvd., Unit 16 Navato, CA 94947	Material & Services	$ 954,950.00
Pro-Line Paint Co	Paint-USS Constellation	$ 12,226.50
John H. Ransom Optical	Lens - 100 Inch	$ 36,414.00
Rehab Group, Inc 5827 Columbia Pike Falls Church, VA 22041	System Design Services	$ 282,358.00
Saady & Hill Electrical Supply P.O. Box 526 712 Hull Street Richmond, VA 23204	Supplies	$ 15,678.92
Amex Systems, Inc 3355 El Segundo Blvd. Hawthorne, CA 90250	Circuit Cards	$ 126,905.00
Fence Installation	Chain Link Fence	$ 18,001.00
Cypress Industries, Inc	Dining Facility Furn	$ 35,598.49
C R Davis Supply Co.	Expansion Joint	$ 19,388.00

Structural Programming, Inc.	Training	$ 39,000.00
G A Industries, Inc	Aluminum Fittings	$ 20,364.00
City Wire Cloth, Inc	Wire Cloth	$ 9,720.60
Votan Precision Tool Co.	Modify Torpedo Tube Bore Gages	$ 4,955.00
Hetra Computer & Communications Ind., Inc 1151 S. Eddie Allen Rd. Melbourne, FL 32901	Line Printer	$ 14,000.00
Fabcraft Inc	Carpet	$ 10,438.38
Jones Lumber Company	Lumber	$ 35,611.28
Votan Precision Tool Co.	Navy Gauge	$ 25,992.00
American Hardwood Co.	Lumber	$ 32,942.00
Lou's Industrial Supplies 11426 N. Long Beach Blvd Lynwood, CA 90262	Labor & Material	$ 4,558.36
Thomas C. Wilson, Inc	Spindles	$ 10,981.[illegible]
Jan Devices, Inc	Microprocessor	$ 23,103.32
Blue Chip Mfg. Company	Fabricate-Vent-Control Dampers	$ 243,864.00
WAECO	Globe Valves	
Consolidated Devices	Torque-Tester & Loader	$ 24,472.00
International Business 1090 Vermont Ave. N.W. Washington, DC 20005	Merit Pay System Survey	$ 149,948.00
Fayco Engineering, Inc	Platinum Resistance	$ 15,360.00
NEO Enterprises	Split from 81-1002	$ 22,060.00
Texas Star Prod. Inc	Split from 81-1002	$— 5,435.10
Ohio Gasket & Shim Co. 981 Home Ave Akron, OH 44310	Shim Laminated	$ 14,019.75
Systems Research Corp	Nuclear Weapons Mgt Study	$ 15,000.00

De Pierre Office Office Interiors, Inc.	Split from Basic 81-0906	$ 18,613.35
Unidynamics/St. Louis Subsidary of UMC INDUS, Inc 472 Paul Ave St. Paul, MO 63135	Tomahawk Blast Shields	$ 500,000.00
Leonards Draperies, Inc	Draperies	$ 25,349.15
Imsinger Machine Company	Dishwashing Machine	$ 25,088.00
Electro-Technology	Tape Recorder Parts	$ 13,355.00
Rotair Industries, Inc	Special Tool	$ 21,267.20
Amer Metal Enterprises	Castings	$ 6,570.00

1982

Application Data Enterprises 1309 East Carson Street Carson,, CA 90745	Computer Service	$ 32,340.00
Irvine Counseling Center 14200 Culver Drive, Suite N Irvine, CA 92714	Family Services	$ 37,999.92
Puget Sound Pipe and Supply 19032 S. Vermont Ave Torrance, CA 90502	Clamps	$ 7,200.70
Northern Precision Lab 11 Madison Road Fairfield, NJ 07006	Rotary Table	$ 34,800.00
Liberty Equipment & Supply Co 4848 Ronson Court-Suite B San Diego, CA 92111	Steel Reducers	$ 12,423.99
The Lam Corporation 9151 Lampson Street Garden Grove, CA 92641	Forklift Rental	$ 13,242.00
Neo Enterprises 17065 Palmdale St. Huntington Beach, CA 92647	Refinish Furniture	$ 46,889.25
Baszile Metals Service 2554 E. 25th St Los Angeles	Coil	$ 266,700.00
Piping Spec Inc	Studs	$ 11,000.00

Stow Manufacturing Co Brandywine Highway Binghampton, NY 13902	Gear Boxes	$ 20,460.00
Beckman Industry	Gears	$ 7,000.00
Datamatica, Inc 56 Kings Court, Sutie 4B Santurce, P.R. 00911	Multipoint Modem	$ 27,225.00
Stow Manufacturing Co Brandywine Highway Binghampton, NY 13902	Parts Manufacturing	$ 24,540.00
SURGILITEINTERN	Coveralls	$ 26,000.00
A 1 Textiles	Bedsheets	$ 12,000.00
Liberty Equipment & Supply Co 4848 Ronson Court, Suite B San Diego, CA 92111	Valve	$ 11,202.00
LB Storage Fixture Co	Food Waste Disposer	$ 15,000.00
George Yardley Co 14451 Edwards St Westminister, CA 92683	Valves	$ 84,282.00
Gandalf Data Inc 1019 South Noel Ave. Wheeling, IL 60090	Upgrade Kit	$ 14,680.00
Colmac Coil Mfg., Inc P.O. Box 167 4th & Lincoln St Colville, Stevens, WA 99114	Cooling Coils	$ 12,077.00
Respond Industries, Inc 930 Centinela Ave Inglewood, CA 90302	Maintain Microfilm	$ 388,000.00
Tri-Way Industries, Inc 600 Andover Park East Seattle, WA 98188	Steel Hasp	$ 22,200.00
Goal Chemicals	Caulking Compound	$ 255,000.00
Cross Field Products	Deck Material	$ 45,000.00
American Continental Engineering Co 6420-G Federal Bldg Lemo Grove, CA 92045	Laundry Machine Maint.	$ 1,303.00

P.J. Hydraulics, Inc 341 King St, Box 187 Meyerstown, PA 17067-0187	Ball Plug Valves	$ 71,150.00
Gaylord Industries, Inc 9600 SW Seely P.O. Box 558 Wilsonville, OR 97070	Grease Hood	$ 90,443.00
Metalmart, Inc 2646 Pacific Park Dr. Whittier, CA 90601	Tube	$ 15,840.00
Liberty Equipment & Supply	Fitting Specialties	$ 16,000.00
Davis Interiors, LTD 3178 Azalea Rd Norfolk, VA 23513	Curtain and Track	$ 37,449.60
Wilmington Instrument Co, Inc 332 N. Fries Ave Wilmington, CA 90744-5691	Gauge Assembly	$ 36,233.05
Sweetland Co	Hydraulic Motor	$ 20,000.00
Frontier Eng Inc	Engineering/Tech Svc	$1,784,000.00
Cooney Pipe & Copper Works 214 N. Hawaiian Ave Wilmington, CA 90744	Elbow	$ 58,729.00
Jacobsen Pilot Service, Inc 1259 Pier "F" Ave P.O. Box #16023 Long Beach, CA 90806	Pilot Services	$ 75,000.00
C.P.I. Machinery Co., Inc. 1270 LaLoma Circle Anaheim, CA 92806	Spare Kits	$ 144,145.88
Western Technical Assoc 5730 Arbor Vitae St Los Angeles, CA 90045	Tech Pubs Distribution	$ 350,000.00
Liberty Equipment & Supply 4848 Ronson Court, Suite.B San diego, CA 92111	Valve Flanged	$ 18,623.50
Dolphin Enterprises	Kitchen Equip	$ 11,000.00

1983

Acromatics, Inc 122 E. Gutierrez St. Santa Barbara, CA 91101	Decommutator	$ 29,080.00
Inter Systems	Microfiche Services	$ 18,480.00
SNR Corporation	Rectifiers	$ 79,000.00
Gaylord & Associates 505 E. Olive Ave Sunnyvale, CA 94086	Audio Visual Services	$ 271,020.00
SBA Philadelphia	Configuation Mgt Services	$ 300,000.00
Ventura Mfg. Co	TALV	$ 198,000.00
L & S Service Co 1230-S South Saviers Rd Oxnard, CA 93030	Maint ADP	$ 111,000.00
Innovative WTR	CHT Soil Drain	$ 246,000.00
Coliseum Construction 1856 Colfax St. Concord, CA 94520	Internal Preservation	$ 134,400.00
Riverbanks Bulk	Boiler Feedwater Annual	$ 1,892.00
Non-Linear Systems	Portable CRT Terminals	$ 18,000.00
Symbolic Inc 9600 Desoto Ave P.O. Box 705 Chatsworth, CA 91311	LTSP Processor	$ 83,000.00
Nat'l Ed., Music Co. LTD 33-35 Union Place Summit, NJ 07901	Musical Instruments	$ 21,962.00
Regents Jack Mfg. Co, Inc 11905 Regentview Ave Downey, CA 90241	Navy Standard Sliding Block Components	$ 225,965.00
Systems Industires Inc 1855 Barber Lane Milpitas, CA 95035	ADP	$ 48,505.00
Digital Corp 3390 Harbor Blvd Costa Mesa, CA 92626	ADP	$ 19,915.00

Genisco Computers Corp 3545 Cadillac Ave Costa Mesa, CA 92626	ADP	$ 117,840.00
Tri-Tek Services Inc P.O. Box 245 White Sands Missile Range NM 88002	Engr Support Services	$ 210,000.00
Goodmans Furnish	Office Furniture	$ 56,000.00
Atlantic Steel	Expanded Metal	$ 63,000.00
Del Manufacturing Co 950 Richmond Ave Oxnard, CA 93030	Safety Clips & Swivel & Ring Assemblies	$ 439,641.35

Mr. DAUB [continuing]. What I am going to ultimately try to find out in the next three hearings, or the next two hearings, is how many small and disadvantaged businesses, there actually have been in terms of turnover in industry lines, whether it is the weapon system or the building of a runway or whatever the multiple of the technology might be.

The reason I am interested in that is again for the reason I said a minute ago. I am interested to see whether or not we are really reaching a point where there are a few firms that are getting all the business or are there some new firms that spring up. You know, does the unhappy vice president leave and start his or her own business and commence to be another business that competes in the same field or are we seeing a very limited number of businesses; is there a place, because of capital intensity requirements or because of geography or other reasons that we are not getting more businesses into the fields of being able to compete and procure, and maybe on their own as opposed to having to just take a small 2-percent piece of somebody's pie. I think that is as well a problem. I would like you to get from minority status to majority status.

Somebody in our committee said that the only way you ever get to that point is when you are big enough to take the Government on 1 to 1.

Well, it may be true or may be not true, but the fact of the matter is, I wonder if we have a point where there is not any further breakout for small business, simply by virtue of some of the limiting factors of 8(a) and/or availability.

Pilot programs, you know, designated now by the President, could be other than the Department of Defense.

So, I assure you, I am looking personally in other areas just besides the military to see how all this is coming down. It could be the Park Service, the Corps of Engineers, it could be the Veterans' Administration in other places.

Tell me what you think of the $500,000 limitation? Should that be lower or higher with respect to the requirement for small and small disadvantaged contract opportunity?

Mr. DeLuca. Mr. Daub, if I may. Relative to the $500,000 threshold, I think that you need to take one step back from that and focus on individual contract by individual contract.

I think that the way the law is currently structured, where we are required to go individual contract, excludes a lot of work.

Also, it gets to be very confusing when we compare goals that our contract management division puts out in advance of the year that encompass a total contractor's business base, and then try to compare them against the individual contract goals. They do not match and never will, because we are missing out all work under $500,000. We are also missing out all work that goes into the indirect account. Some contractors do not even apply indirect to some of the subcontract areas. Any other work that may go directly to a small business or small disadvantaged business.

So, rather than the $500,000 threshold the issue should be more so of whether or not we should retain contract by contract plans. I would suggest that we look at possibly going to a profit center or a division basis for utilization of goals.

Mr. Daub. General Stallings?

General Stallings. I really do not have anything to add to that, Mr. Daub.

Mr. Addabbo. Captain Harrington?

Captian Harrington. No, sir, other than to add to the gentleman's remarks about the issue of contract by contract or whether it ought to be on a profit center-cost center basis. That is really a function of how that corporation does business, whether they do annual buys or do they buy by contract. You would have to know that before you could make a reasonable judgment for any one contractor or contract, sir.

Mr. Daub. Well, I do not have any pride of authorship in these matters. I look for opportunities to expand a positive outreach, and I think that is an area, at least I for one am going to look at a little later on.

Mr. Chairman, I have no more questions.

I appreciate you coming and your preparation was quite thorough. Thank you very much.

Mr. Addabbo. Thank you very much, gentlemen, for your expertise and statements. There may be further questions by the committee, which will be submitted to you for the record.

Thank you very much.

General Stallings. Thank you.

Mr. Addabbo. I commend you on your statements and answers.

Our next panel consists of Brig. Gen. J. H. Voorhees, U.S. Air Force Commander, Defense Contract Administration Services Region, Los Angeles, together with Col. Thomas A. Rush, U.S. Air Force Commander, Defense Personnel Support Center, Philadelphia, PA.

Mr. Addabbo. Gentlemen, we appreciate your attendance. Your entire statements will be made part of the record, and in the interests of time we'd ask you to summarize them for the committee.

General?

TESTIMONY OF BRIG. GEN. JOHN H. VOORHEES, COMMANDER, DEFENSE CONTRACT ADMINISTRATION SERVICES REGION, U.S. AIR FORCE, LOS ANGELES, CA, ACCOMPANIED BY BUD GANALON, ADVISER, SMALL AND DISADVANTAGED BUSINESS UTILIZATION

General VOORHEES. Mr. Chairman, I'm Gen. John Voorhees, Commander of the Defense Contract Administration Services Region, Los Angeles. I have with me Mr. Bud Ganalon, who is my Small and Disadvantaged Business Utilization Adviser.

We do appreciate the opportunity to appear before this subcommittee, and have submitted a prepared statement. At this point I'd just like to give you a very brief overview of our organization and to highlight some of the experiences we've had with implementation of Public Law 95-507.

DCASR, Los Angeles is one of nine regions within the Defense Logistics Agency charged with administering Government contracts delegated to it by procuring contracting officers from DLA, the Army, the Navy, the Air Force, and some civilian agencies.

The agency administers over 325,000 contracts. My region accounts for approximately 22 percent of that total. Since its creation in 1965 and until 1981, our DCASR has maintained three small and disadvantaged business utilization offices staffed with Department of Defense personnel to assist small and small disadvantaged business concerns and to ensure that defense prime contractors meet their contractual obligations to do the same.

Our original small business offices were located in Los Angeles, Seattle, and San Francisco. In 1981 we added a fourth small business office in San Diego. We have a total of 11 professional specialists assigned to these four offices to perform the myriad of functions associated with the small business program.

These responsibilities include the surveillance of 190 prime contractors at this time, with over 2,800 subcontracting plans for which we have administration responsibility. Section 211 of Public Law 95-507 increased prime contractor reporting requirements and added subcontracting goals to contract language in order to make Federal agencies capable of monitoring and enforcing compliance with national policy in this area.

In the committee's letter to Admiral Grinstead, Director of DLA there were eight questions related to the implementation of the public law. I have addressed each of those questions in my formal statement submitted to the committee.

As a contract administration activity, DCASR, Los Angeles, has two basic responsibilities in implementing the public law. First, at the request of buying center procuring activities, DCASR small and disadvantaged business specialists evaluate proposed subcontracting plans submitted by large businesses prior to award or definitization of prime contracts.

Second, when delegated the administration authority, our specialists monitor the prime contract performance against their plans, and report the results to the procuring activity. Our SADBU specialists work closely with my administrative contracting officers to perform other functions associated with the small and disadvantaged business community, including counseling, both in our offices and at Federal, State, and local business development conferences.

We have a dedicated and active staff to carry out these various duties, to enforce the law as implemented in regulations, and to serve the small business community. We corporately look upon Public Law 95-507, not only as a vehicle to achieve Government socioeconomic program goals, but indeed another mechanism to increase the number of suppliers in our total defense mobilization base.

At this point I'd be glad to address any questions you might have.

[General Voorhees prepared statement with attachments follows:]

Prepared Statement of Brig. Gen. John H. Voorhees, Commander, Defense Contract Administration Services Region, U.S. Air Force, Los Angeles, CA

I AM BRIGADIER GENERAL JOHN H. VOORHEES, COMMANDER OF THE DEFENSE CONTRACT ADMINISTRATION SERVICES REGION, LOS ANGELES COMMONLY KNOWN BY THE ACRONYM "DCASR, LA". THIS MORNING I WILL DISCUSS THE IMPLEMENTATION OF, AND EXPERIENCE WITH, THE DEPARTMENT OF DEFENSE SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM ESTABLISHED IN ACCORDANCE WITH PUBLIC LAW 95-507. I WILL ALSO ANSWER THE SPECIFIC QUESTIONS THAT I HAVE BEEN ASKED TO ADDRESS BY THE COMMITTEE IN ITS MARCH 8, 1984, LETTER. I HAVE WITH ME MR. BUD GANALON, MY SMALL AND DISADVANTAGED BUSINESS UTILIZATION (SADBU) ADVISOR.

DCASR, LOS ANGELES IS ONE OF NINE REGIONS OF THE DEFENSE LOGISTICS AGENCY CHARGED WITH ADMINISTERING GOVERNMENT CONTRACTS DELEGATED TO IT BY PROCURING CONTRACTING OFFICERS (PCOS) FROM THE DEFENSE LOGISTICS AGENCY, ARMY, AIR FORCE AND NAVY.

SINCE ITS CREATION IN 1965, AND UNTIL 1981, OUR ORGANIZATION HAS MAINTAINED 3 SMALL AND DISADVANTAGED BUSINESS UTILIZATION (SADBU) OFFICES STAFFED WITH DEPARTMENT OF DEFENSE PERSONNEL TO ASSIST SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS (A FOURTH OFFICE WAS ADDED IN OCT 81), AND TO ENSURE THAT DEFENSE PRIME CONTRACTORS MET THEIR CONTRACTUAL OBLIGATIONS TO DO THE SAME. WE HAVE 11 PROFESSIONAL SADBU SPECIALISTS ASSIGNED TO THESE 4 OFFICES TO PERFORM THE MYRIAD OF SADBU FUNCTIONS FOR WHICH THEY ARE RESPONSIBLE. THESE RESPONSIBILITIES INCLUDE THE SURVEILLANCE OF OUR 190 PRIME CONTRACTORS WITH OVER 2,800 SUBCONTRACTING PLANS FOR WHICH WE HAVE CONTRACT ADMINISTRATION RESPONSIBILITY.

SECTION 211 OF PUBLIC LAW 95-507 INCREASED REPORTING REQUIREMENTS AND ADDED SUBCONTRACTING GOALS TO CONTRACT LANGUAGE TO ENABLE FEDERAL AGENCIES TO MONITOR AND ENFORCE COMPLIANCE WITH NATIONAL POLICY BY DEFENSE PRIME CONTRACTORS, ESPECIALLY FOR HIGH DOLLAR VALUE CONTRACTS AND SUBCONTRACTS.

IN THE COMMITTEE'S LETTER, DATED 8 MARCH 1984, TO VICE ADMIRAL E.A. GRINSTEAD DIRECTOR, DEFENSE LOGISTICS AGENCY, REQUESTING MY APPEARANCE BEFORE THE COMMITTEE, THERE ARE EIGHT QUESTIONS RELATING TO THE IMPLEMENTATION OF THIS PUBLIC LAW BY DCASR, LOS ANGELES. I HAVE ADDRESSED EACH QUESTION HEREIN.

QUESTION 1. WHAT ROLE DOES DCASR HAVE IN THE APPROVAL OF SUBCONTRACTING PLANS?

ANSWER THE PROCURING CONTRACTING OFFICER (PCO) WITHIN EACH BUYING ACTIVITY IS SOLELY RESPONSIBLE FOR DETERMINING IN ADVANCE OF SOLICITATION, WHETHER A SUBCONTRACTING PLAN IS REQUIRED. PLANS MUST CONTAIN 6 SPECIFIC ELEMENTS INCLUDING GOALS, THE ASSIGNMENT OF AN ADMINISTRATOR, A DESCRIPTION OF EFFORTS TO BE MADE, FLOWDOWN CLAUSE REQUIREMENT, REPORTS, AND THE TYPE OF RECORDS TO BE MAINTAINED. THE PCO IS RESPONSIBLE FOR DETERMINING THE ADEQUACY OF EACH OF THESE PLAN ELEMENTS. HOWEVER, IN THE EVENT THE CONTRACTOR ELECTS TO ESTABLISH A MASTER PLAN, AS AUTHORIZED BY DEFENSE ACQUISITION REGULATION (DAR) CLAUSE 1-707.1(E), THE DCASR'S ADMINISTRATIVE CONTRACTING OFFICER (ACO) NEGOTIATES AND APPROVES SUCH MASTER PLANS WHICH COVER ALL ELEMENTS OF THE PLAN EXCEPTING INDIVIDUAL SUBCONTRACTING GOALS. WITH THIS EXCEPTION, THE DCAS ROLE IN THE APPROVAL PROCESS IS ADVISORY IN NATURE. THE DCAS SMALL BUSINESS SPECIALISTS RESPOND TO REQUESTS FROM PROCURING CONTRACTING OFFICERS FOR

ASSISTANCE IN EVALUATING SUBCONTRACTING PLANS PRIOR TO CONTRACT AWARD. THUS, THE PROCURING CONTRACTING OFFICER OBTAINS THE BENEFIT OF THE SPECIALIST'S KNOWLEDGE OF THE CONTRACTOR'S ORGANIZATION, HISTORICAL PERFORMANCE, OPERATIONS AND PROCEDURES.

QUESTION 2. IN WHICH AREA, FORMALLY ADVERTISED OR NEGOTIATED CONTRACTS, IS IT MORE DIFFICULT TO OBTAIN A SATISFACTORY SUBCONTRACTING PLAN?

ANSWER SINCE THE CONTRACTORS RESPOND DIRECTLY TO THE BUYING CENTERS WITH THEIR PROPOSALS AND ACCOMPANYING PLANS, THE DCASRS HAVE NO DIRECT KNOWLEDGE OF THE RELATIVE DIFFICULTY IN OBTAINING SATISFACTORY SUBCONTRACTING PLANS VIA FORMAL ADVERTISEMENT OR NEGOTIATED CONTRACTS. SMALL BUSINESS SPECIALISTS AT THE BUYING CENTERS HAVE COMMENTED IN INFORMAL CONVERSATIONS THAT FORMAL ADVERTISEMENT PLANS ARE MORE DIFFICULT IN THAT THE GOVERNMENT MUST EITHER ACCEPT THE PLAN ON ITS SECOND SUBMISSION OR REJECT THE BID ALTOGETHER, NOT BEING PERMITTED TO NEGOTIATE THE PLAN. HOWEVER, IT IS EMPHASIZED THAT DAR 1-707.2(B)(2) PROVIDES THAT A PCO MAY REJECT A PLAN SUBMITTED UNDER FORMAL ADVERTISING IN ANY SITUATION WHERE THE PLAN ITSELF, ALTHOUGH TECHNICALLY RESPONSIVE, EVIDENCES THE BIDDER'S INTENTION NOT TO COMPLY. WE ARE NOT AWARE OF ANY INSTANCES WHERE THIS KIND OF REJECTION HAS TAKEN PLACE AND OUR IMPRESSIONS ARE THAT BIDDERS WHOSE PLANS HAVE BEEN QUESTIONED RESUBMITTED PLANS WHICH WERE ACCEPTABLE.

UNDERMINING THE FORMAL ADVERTISEMENT PROCESS IS NOT CLEAR.

QUESTION 3. WHAT PRODUCTS AND/OR SERVICES BEING PROCURED SEEM HISTORICALLY TO LACK SUFFICIENT SUBCONTRACTING PLANS?

ANSWER COMPARED TO THE TOTAL NUMBER OF PLANS WE ADMINISTER, DCASR, LOS ANGELES SEES FEW SUBCONTRACTING PLANS PRIOR TO CONTRACT AWARD. AS SUCH, WE HAVE NO FIRST HAND KNOWLEDGE OF ANY PROBLEMS THAT THE PCOS MIGHT BE EXPERIENCING IN OBTAINING SUFFICIENT SUBCONTRACTING PLANS FROM PROSPECTIVE CONTRACTORS. BUYING CENTERS INDICATE TO US IN OUR CONVERSATIONS THAT CERTAIN COMMERCIAL PRODUCTS AND SERVICES TEND TO LACK SUBCONTRACTING OPPORTUNITIES FOR SEVERAL REASONS. SOME COMMODITIES, LIKE DRUGS, MAY HAVE SOURCES DIRECTED IN THE PUBLIC INTEREST. OTHER PRODUCTS, LIKE SHOES, ARE IN INDUSTRIES WITH INTENSE COMPETITION, EITHER FOREIGN OR DOMESTIC, WHERE THERE IS LITTLE PROFIT INCENTIVE FOR NEW SMALL OR DISADVANTAGED BUSINESSES TO COMPETE FOR LIMITED SUBCONTRACTING OPPORTUNITIES. FOR STRICTLY MILITARY PRODUCTS, SOME HIGH TECHNOLOGY ITEMS REQUIRE A HEAVY CAPITAL INVESTMENT AND LONG LEAD TIME WHICH TEND TO LIMIT THEIR ABILITY TO COMPETE FOR THESE SUBCONTRACTING OPPORTUNITIES.

QUESTION 4A. OVER THE LAST 3 YEARS, HOW MANY PRIME CONTRACTORS HAS DCASR, LOS ANGELES FOUND TO BE IN NON-COMPLIANCE WITH THEIR PLANS?

ANSWER APPROXIMATELY 90 PRIME CONTRACTORS HAVE BEEN FOUND TO BE IN NON-COMPLIANCE WITH THEIR PLANS DURING VARIOUS STAGES OF IMPLEMENTATION.

QUESTION 4B. WHAT ACTIONS WERE TAKEN?

ANSWER UPON COMPLETION OF A SUBCONTRACT PLAN REVIEW THE SADBU SPECIALIST DISCUSSES ANY WEAKNESSES, DEFICIENCIES, OR VIOLATIONS NOTED WITH APPROPRIATE COMPANY OFFICIALS (I.E. CONTRACTORS SMALL BUSINESS LIAISON OFFICER (SBLO) AND CONCERNED MANAGEMENT PERSONNEL). THE SPECIALIST AND THE CONTRACTOR MUTUALLY AGREE ON THE EXTENT AND TIMING OF THE CORRECTIVE ACTION REQUIRED. A SURVEILLANCE REPORT IS PREPARED AND COPIES ARE PROVIDED TO THE COGNIZANT

ADMINISTRATIVE CONTRACTING OFFICER (ACO) AND CONTRACTORS' SMALL BUSINESS LIAISON OFFICER. IF THE SPECIALIST AND THE CONTRACTOR CANNOT AGREE, THE MATTER IS REFERRED TO THE ADMINISTRATIVE CONTRACTING OFFICER TO RESOLVE THE PROBLEM.

IF THE MATTER CANNOT BE RESOLVED IT IS REFERRED TO THE PROCURING CONTRACTING OFFICER. ACCORDINGLY, OF THE 90 CONTRACTORS FOUND IN NON-COMPLIANCE WITH THEIR PLANS, 42 CONTRACTORS' DEFICIENT PLANS WERE CORRECTED BY THE SMALL BUSINESS LIAISON OFFICER AT THE BEHEST OF THE SPECIALIST, 37 CONTRACTOR DEFICIENCIES WERE RESOLVED THROUGH EFFORTS OF THE COGNIZANT ADMINISTRATIVE CONTRACTING OFFICERS AND THE BALANCE HAVE BEEN REFERRED TO THE COGNIZANT ADMINISTRATIVE CONTRACTING OFFICERS FOR RESOLUTION OF CITED DEFICIENCIES. THE ACOS, WITH THE ASSISTANCE FROM THE SADBU SPECIALISTS IN ATTEMPTING TO IMPROVE THEIR PROGRAMS AND DUE TO THE PROGRESS BEING MADE, HAD NO NECESSITY TO REFER ANY OF OUR CONTRACTORS TO THE PROCURING CONTRACTING OFFICER FOR NON-COMPLIANCE WITH SUBCONTRACTING PLANS TO DATE.

QUESTION 5A. OVER THE LAST 3 YEARS, HOW MANY PLANS AND PROGRAM COMPLIANCE REVIEWS DID DCASR, LOS ANGELES COMPLETE PER YEAR?

ANSWER	PROGRAM COMPLIANCE REVIEWS		INDIVIDUAL PLANS REVIEWS
	CY 81	264	2302
	CY 82	261	2316
	CY 83	266	2841

QUESTION 5B. HOW MANY PLANS PER YEAR AND MONTH ARE REVIEWED PRIOR TO AWARD?

ANSWER REQUESTS TO EVALUATE SUBCONTRACTING PLANS

	ANNUAL	AVERAGE PER MONTH
CY 81	132	11
CY 82	182	15
CY 83	289	24

QUESTION 5C. GIVE TOTAL NUMBERS AND DOLLARS FOR THE NAVY, AIR FORCE, AND ARMY CONTRACTS ADMINISTERED BY THIS COMMAND.

ANSWER CONTRACTS DELEGATED TO DCASR, LOS ANGELES FOR ADMINISTRATION:

FY 81	NO. OF CONTRACTS	DOLLAR VALUE (MILLIONS)
ARMY	6,000	$ 7,181
NAVY	22,267	8,315
AIR FORCE	23,001	7,095
OTHER	15,401	505
TOTAL	66,669	$23,096
FY 82		
ARMY	6,437	$ 9,039
NAVY	23,890	10,467
AIR FORCE	24,678	8,932
OTHER	16,524	637
TOTAL	71,529	$29,075
FY 83		
ARMY	6,813	$11,243
NAVY	26,118	13,019
AIR FORCE	25,285	11,110
OTHER	17,489	792
TOTAL	75,705	$36,164

QUESTION 6. HOW MANY SUBCONTRACTING PLANS FOR EACH OF THE MILITARY SERVICES HAS DCASR, LOS ANGELES DISAPPROVED FOR UNREALISTIC GOALS?

ANSWER NONE, SINCE ONLY THE PCO HAS AUTHORITY TO DISAPPROVE SUBCONTRACTING PLANS. REGARDING MASTER SUBCONTRACTING PLANS WHICH ARE APPROVED BY ACOS, NONE HAVE BEEN DISAPPROVED TO DATE BY PCOS. WE HAVE ADVISED PROCURING CONTRACTING OFFICERS THAT INDIVIDUAL SUBCONTRACTING PLAN GOALS APPEARED UNREALISTIC IN 74 CASES DURING THE LAST THREE YEARS, WHICH ADVICE WAS CONSIDERED BY PCOS IN NEGOTIATING ACCEPTABLE PLANS.

QUESTION 7A. WHEN A PRIME CONTRACTOR IS FOUND TO BE IN NON-COMPLIANCE WITH ITS APPROVED PLAN, WHAT NOTICE IS GIVEN TO THE PRIME CONTRACTOR?

ANSWER WHEN THE SADBU SPECIALIST IDENTIFIES SIGNIFICANT DEFICIENCIES WITH A PRIME CONTRACTOR SMALL BUSINESS PROGRAM, HE AND THE CONTRACTOR MUTUALLY AGREE TO A SPECIFIC DATE BY WHICH THE CONTRACTOR IS TO COMPLETE CORRECTIVE ACTION. THIS DATE IS CONFIRMED IN A SURVEILLANCE REPORT FROM THE SPECIALIST TO THE CONTRACTOR'S SMALL BUSINESS LIAISON OFFICER, AND CONTRACTOR MANAGEMENT PERSONNEL CONCERNED. IN THE EVENT THAT CORRECTIVE ACTION IS NOT EFFECTED IN A TIMELY MANNER THE SPECIALIST REFERS THE MATTER TO THE COGNIZANT ADMINISTRATIVE CONTRACTING OFFICER WHO FORMALLY COMMUNICATES THE "UNSATISFACTORY" PERFORMANCE TO THE CONTRACTOR'S TOP MANAGEMENT. SHOULD THIS EFFORT FAIL, THE ADMINISTRATIVE CONTRACTING OFFICER WOULD REFER THE MATTER TO THE COGNIZANT PROCURING CONTRACTING OFFICER FOR FINAL DISPOSITION.

QUESTION 7B. WHAT REMEDIAL MEASURES ARE TAKEN?

ANSWER 7B. ALTHOUGH THE DCASR SPECIALIST MAY RECOMMEND REMEDIAL ACTION, THE CONTRACTOR MUST SELECT ITS OWN CORRECTIVE MEASURES. THE SPECIALIST MAY CONTACT VARIOUS CONTRACTOR PERSONNEL TO WORK OUT DEFICIENCIES. EDUCATING CONTRACTORS ON THE CONSEQUENCES OF FAILURE TO CORRECT UNSATISFACTORY PERFORMANCE USUALLY SUFFICES TO BRING ABOUT THE DESIRED RESULT. (CONTRACTORS KNOW THAT THEIR PERFORMANCE MAY BE CONSIDERED IN FUTURE PRE-AWARD SURVEYS, WEIGHTED GUIDELINES EVALUATIONS, AND CONTRACTOR PURCHASING SYSTEM REVIEWS).

QUESTION 7C. DISCUSS, IN DETAIL, SOME OF THE VIOLATIONS THAT ARE DISCOVERED WHEN PRIME CONTRACTORS ARE IN NON-COMPLIANCE AND ACTIONS RECOMMENDED AND TAKEN?

ANSWER THREE EXAMPLES OF VIOLATIONS OF SUBCONTRACTING PLANS FOLLOW:

(1) ONE CONTRACTOR HAD OBSOLETE PURCHASE ORDER TERMS AND CONDITIONS AFFECTING THE SMALL BUSINESS PROGRAM. SPECIFICALLY DAR 7-104,14(A), "UTILIZATION OF SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS". THE SADBU SPECIALIST AND COMPANY SMALL BUSINESS LIAISON OFFICER AGREED ON A SPECIFIC DATE TO UPDATE AND REPRINT THE TERMS AND CONDITIONS. IN THE INTERIM, A RUBBER STAMP WAS USED TO MODIFY THE OUTDATED FORMS TO REFLECT THE CORRECT CLAUSE CITATION. THE SADBU SPECIALIST CONDUCTED A FOLLOW UP REVIEW TO VERIFY THE ACTION AS BEING COMPLETE. CONTRACTOR REPRINTED AND UPDATED TERMS AND CONDITIONS AS AGREED.

(2) ANOTHER CONTRACTOR, WAS REPORTING INFLATED GOAL ACCOMPLISHMENT (DOLLAR FIGURES) IN ITS QUARTERLY REPORT TO THE GOVERNMENT. THE SADBU SPECIALIST HAD A MEETING WITH THE CONTRACTOR'S SMALL BUSINESS LIAISON OFFICER AND CONCERNED MANAGEMENT PERSONNEL TO DISCUSS THE SITUATION. THE CONTRACTOR

REPRESENTATIVE DECLINED TO TAKE THE RECOMMENDED CORRECTIVE ACTION. THE SADBU SPECIALIST SUBSEQUENTLY PREPARED A WRITTEN REPORT DETAILING THE CONTRACTOR'S UNSATISFACTORY REPORTING PROCEDURES FOR SUBMISSION TO THE COGNIZANT ADMINISTRATIVE CONTRACTING OFFICER. THE CONTRACTOR REPORTED VERBALLY THAT CORRECTIVE ACTION WOULD BE TAKEN AFTER ALL (BEFORE THE ADMINISTRATIVE CONTRACTING OFFICER TOOK ACTION). CORRECTIVE ACTION IS NOW IN PROGRESS.

(3) ANOTHER CONTRACTOR WAS FOUND TO LACK MIDLEVEL MANAGEMENT INTEREST AND INVOLVEMENT IN THEIR SMALL BUSINESS PROGRAM, A CONDITION WHICH STIFLED CONTRACTOR TRAINING IN THE ADMINISTRATION OF AND THE RENDERING OF ASSISTANCE TO SMALL AND DISADVANTAGED BUSINESSES. FAILING TO ACHIEVE SATISFACTORY RESOLUTION OF THESE PROBLEMS WITH THE CONTRACTOR'S SMALL BUSINESS LIAISON OFFICER OR MANAGEMENT. THE SADBU SPECIALIST HAS RECENTLY REFERRED THE MATTER TO THE COGNIZANT ADMINISTRATIVE OFFICER FOR RESOLUTION.

QUESTION 8. DOES DCASR, LOS ANGELES USE THE SBA'S PASS SYSTEM?

ANSWER YES, ALTHOUGH THERE IS NO ON-LINE TERMINAL AT DCASR, LOS ANGELES TO PERMIT DIRECT ACCESS TO THE PROCUREMENT AUTOMATED SOURCE SYSTEM (PASS) SYSTEM'S DATABASE. DCASR, LOS ANGELES' OWN PURCHASING OFFICE VERBALLY QUERIES THE PASS REPRESENTATIVE AT THE SMALL BUSINESS ADMINISTRATION OFFICE IN LOS ANGELES FOR ASSISTANCE IN LOCATING NEW SMALL AND DISADVANTAGED BUSINESS SOURCES FOR POTENTIAL CONTRACTS.

WHEN OUR PRIME CONTRACTORS NEED NEW SMALL AND DISADVANTAGED BUSINESS SOURCES, THE DCASR SPECIALIST REFERS THEM TO THE SMALL BUSINESS ADMINISTRATION FOR ASSISTANCE. OUR SMALL BUSINESS OFFICE MAINTAING A SUPPLY OF SMALL BUSINESS ADMINISTRATION PASS APPLICATION FORMS FOR USE IN COUNSELING SESSIONS AND FOR DISTRIBUTING AT SMALL BUSINESS DEVELOPMENT CONFERENCES.

IN ORDER TO IMPROVE THE DCASR, LOS ANGELES SMALL AND DISADVANTAGED BUSINESS SUBCONTRACTING PROGRAM, I PLAN TO AUTOMATE AS MUCH OF THE ADMINISTRATIVE ROUTINE AND PAPERWORK AS POSSIBLE TO PROVIDE MORE TIME FOR OUTREACH EFFORTS. THE REGION HEADQUARTERS SMALL BUSINESS OFFICE CURRENTLY POSSESSES WORD PROCESSING CAPABILITY AND HAS ALREADY INTRODUCED REMOTE SITE PRINTING OF RELEVANT CONTRACTOR DOCUMENTATION. WE ARE CURRENTLY EVALUATING THE COST EFFECTIVENESS OF INSTALLING A DEDICATED PASS TERMINAL, MICROCOMPUTERS AND IMPROVED MAINFRAME COMPUTER SERVICES TO THE DCASR SMALL BUSINESS SPECIALISTS.

DURING FY 83, I CHAIRED THE LOS ANGELES AREA MINORITY BUSINESS OPPORTUNITY COUNCIL, ONE MISSION OF WHICH WAS TO IDENTIFY THE NEEDS OF THE MINORITY BUSINESS COMMUNITY AND TO RECOMMEND TO BUYING AGENCIES POLICIES AND PROCEDURES DESIGNED TO MEET THOSE NEEDS. I HAVE MADE KNOWN TO MY SMALL BUSINESS STAFF THAT THEY SHOULD GIVE PRIORITY TO COUNSELING SMALL AND DISADVANTAGED BUSINESS REPRESENTATIVES, BOTH IN OUR OFFICES AND AT SMALL BUSINESS DEVELOPMENT CONFERENCES AND TRADE FAIRS ON HOW TO DO BUSINESS WITH THE GOVERNMENT AND OUR DEFENSE PRIME CONTRACTORS AS POTENTIAL SUBCONTRACTORS.

IN ADDITION, MY ADMINISTRATIVE CONTRACTING OFFICERS, HAVE PERSONALLY ACCOMPANIED THE SMALL BUSINESS SPECIALISTS TO SOME SMALL BUSINESS DEVELOPMENT CONFERENCES TO DEMONSTRATE THEIR COMMITMENT TO OUR SMALL BUSINESS PROGRAM OBJECTIVES. I HAVE A PROGRAM TO MINIMIZE OVER AGE INVOICES, ONE BENEFIT OF WHICH HAS BEEN TO MAKE GOVERNMENT CONTRACTING MORE ATTRACTIVE TO SMALL BUSINESS FROM A CASH FLOW PERSPECTIVE. OUR OUTREACH PROGRAM TO EXPAND, DEVELOP, AND ENCOURAGE GREATER ECONOMIC OPPORTUNITIES FOR MINORITY BUSINESS FOR FY 84 IS DETAILED IN DCASR, LOS ANGELES MINORITY BUSINESS ENTERPRISE (MBE) DEVELOPMENT PLAN DATED JAN 84 AND A COPY IS SUBMITTED HEREWITH AS ENCLOSURE ONE.

WE LOOK UPON PUBLIC LAW 95-507, NOT ONLY AS A VEHICLE TO ACHIEVE GOVERNMENT SOCIO-ECONOMIC PROGRAM GOALS BUT, AS ANOTHER MECHANISM TO INCREASE THE NUMBER OF SUPPLIERS IN OUR DEFENSE MOBILIZATION BASE.

I WILL BE GLAD TO ANSWER ANY FURTHER QUESTIONS YOU MAY HAVE.

DCASR, Los Angeles
Small and Disadvantaged Business
Utilization Office
Supplement No. 1
to FY 84 Small and Disadvantaged
Business Annual Management Plan

January 1984

SECTION VII

Minority Business Enterprise (MBE)
Development Plans

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I. Requirement. Executive Order 12432, dated 14 July 1983 (Enclosure 1), committed the Federal Government to expand, develop, and encourage greater economic opportunities for minority business, and directed that each Federal Agency having substantial procurement authority develop a minority business enterprise development plan built upon existing programs, including the goals established pursuant to Public Law 95-507. Defense Logistics Agency (DLA-U) letter dated 21 December 1983 to Region Commanders, subject: Minority Business Enterprise (MBE) Development Plans, requires that such a plan be developed and incorporated as a separate chapter or supplement to, each DCASR'S, Small and Disadvantaged Business Annual Management Plan (SADBAMP) which is prescribed by Chapter XVI of DLAM 9100.1

II. Plan Elements.

A. Outreach initiatives include:

1. Counseling - one of the main objectives of counseling, both individual and at conferences and trade fairs, is to connect qualified disadvantaged firms with Federal Government purchasing offices and defense prime contractors who use their products or services.

2. Use of the SF 129, Bidder's Mailing List Application, to register disadvantaged firms on bidders lists, retained by all Government purchasing offices.

3. Direct referral to the Region's local purchasing office, when applicable.

4. Contacting specialized companies in response to requests from various DLA buying centers for assistance in locating potential suppliers of commodity items lacking competition.

5. Furnishing the Under Secretary of Defense for Research & Engineering with names of companies having potential to participate in the DoD Small Business Innovation Research Programs.

6. Promoting specific companies to a Booker T. Washington representative for receipt of contract set-asides and bid solicitations.

7. Interceding on behalf of small business to resolve problems with Federal Government purchasing offices in such areas as technical data, Government tooling, delinquent payments, etc.

8. Maintain close liaison with the following organizations to locate qualified small disadvantaged business contractors to be potential bidders for Federal Government prime contracts, or to participate in the DoD subcontracting program:

a. Region Hqs, Small Business Office:

(1) Asian Business Association
Compton, CA

(2) United Indian Development Association
Los Angeles, CA

(3) Black Business Association
Los Angeles, CA

(4) Latin Businessmen's Association
South El Monte, CA

(5) Minority Business Opportunity Committee (MBOC)
Los Angeles, CA

b. DCASMA, Seattle, Small Business Office

(1) Seattle Minority Supplier Development Council
Seattle, WA

(2) Seattle Business Opportunity Committee
Seattle, WA

(3) Pacific N.W. Small Minority Advisory Council
Seattle, WA

(4) Tri-City Minority Purchasing Council
Seattle, WA

(5) Puget Sound Minority Supplier Council
Seattle, WA

c. DCASMA, San Francisco, Small Business Office

(1) Golden State Business League
San Francisco, CA

(2) Minority Business Opportunity Committee
San Francisco, CA

(3) Latin American Manufacturer's Association
San Francisco, CA

(4) National Economic Development Association (NEDA)
Fresno, CA

5) Black Chamber of Commerce
Berkeley, CA

(6) Minority Contractors of Northern California
Oakland, CA

(7) Asian Inc.
San Francisco, CA

c. DCASMA, San Diego, Small Business Office

San Diego Minority Development Supplier Council
San Diego, CA

B. Emphasis is placed on the utilization of disadvantaged business firms in surveillance of the prime contractor's subcontracting program through use of DLA Form 640 Review of Contractor's Subcontracting Program. Actions include:

1. Monitoring whether the prime contractor is meeting its goals for amount of money spent and number of awards made to disadvantaged firms.

2. Determining if there has been any increase in the dollar amount or number of awards made to disadvantaged firms.

3. Encouraging prime contractor's to provide assistance to the disadvantaged firms in technical and financial areas and to counsel them as to why they fail to receive awards.

4. Encouraging prime contractor's to include innovative awards programs in their subcontracting plan with performance awards which act as an incentive to support the increased use of small disadvantaged business firms by their buying personnel.

C. Managerial and technical assistance to be provided to the disadvantaged business firms, within the limits authorized by the DAR, include:

1. Referral to prime contractor's for their expertise.

2. Referral to various DCASR elements, e.g., quality, packaging, and pricing.

3. Referral to other Governmental agencies for assistance with special needs (DCAA for accounting system evaluation, SBA for identification of credit sources, 8(a) program eligibility, etc.).

4. Connecting known and potential high tech contractor's with specific points of contact to discuss technical questions involving R&D projects.

5. Locating engineering offices authorized to establish inventory requirements for new products for companies who have advanced the "state of the art", or have developed new products.

D. Disadvantaged business goals include:

1. Developing improved counseling aids to use in identifying subcontracting opportunities at facilities of prime contractor's with subcontracting plans.

2. Auditing prime contractor's purchasing practices to ascertain reasons for nonsolicitation of disadvantaged firms.

3. Increasing the awareness of prime contractor's in the area of the DLA recognition program for outstanding performance for assisting, counseling, and advancing the interest of disadvantaged firms.

4. Interim FY 84 goal for DCASR, Los Angeles prime contractor subcontract dollar awards to small disadvantaged businesses is $90.7 million.

EXECUTIVE ORDER
12432

MINORITY BUSINESS ENTERPRISE DEVELOPMENT

By virtue of the authority vested in me as President by the Constitution and laws of the United States of America, including Section 205(a) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486(a)), in order to provide guidance and oversight for programs for the development of minority business enterprise pursuant to my statement of December 17, 1982 concerning Minority Business Development; and to implement the commitment of the Federal government to the goal of encouraging greater economic opportunity for minority entrepreneurs, it is hereby ordered as follows:

Section 1. *Minority Business Development Plans.* (a) Minority business enterprise development plans shall be developed by each Federal agency having substantial procurement or grantmaking authority. Such agencies shall submit these plans to the Cabinet Council on Commerce and Trade on an annual basis.

(b) These annual plans shall establish minority enterprise development objectives for the participating agencies and methods for encouraging both prime contractors and grantees to utilize minority business enterprises. The plans shall, to the extent possible, build upon the programs administered by the Minority Business Development Agency and the Small Business Administration, including the goals established pursuant to Public Law 95-507.

(c) The Secretary of Commerce and the Administrator of the Small Business Administration, in consultation with the Cabinet Council on Commerce and Trade, shall establish uniform guidelines for all Federal agencies to be utilized in establishing the minority business programs set forth in Section 2 of this Order.

(d) The participating agencies shall furnish an annual report regarding the implementation of their programs in such form as the Cabinet Council on Commerce and Trade may request, and at such time as the Secretary of Commerce shall designate.

(e) The Secretary of Commerce shall provide an annual report to the President, through the Cabinet Council on Commerce and Trade, on activities under this Order and agency implementation of minority business development programs.

Sec. 2. *Minority Business Development Responsibilities of Federal Agencies.* (a) To the extent permitted by law and consistent with its primary mission, each Federal agency which is required to develop a minority business development plan under Section 1 of this Order shall, to accomplish the objectives set forth in its plan, establish programs concerning provision of direct assistance, procurement assistance, and management and technical assistance to minority business enterprises.

(b) Each Federal agency shall, to the extent permitted by law and consistent with its primary mission, establish minority business development programs, consistent with Section 211 of Public Law 95-507, to develop and implement incentive techniques to encourage greater minority business subcontracting by Federal prime contractors.

(c) Each Federal agency shall encourage recipients of Federal grants and cooperative agreements to achieve a reasonable minority business participation in contracts let as a result of its grants and agreements. In cases where State and local governments are the recipients, such encouragement shall be consistent with principles of federalism.

(d) Each Federal agency shall provide the Cabinet Council on Commerce and Trade such information as it shall request from time to time concerning the agency's progress in implementing these programs.

Ronald Reagan

THE WHITE HOUSE,
July 14, 1983.

Mr. Hayes. Colonel Rush?

Colonel Rush. Yes, sir.

TESTIMONY OF COL. THOMAS A. RUSH, COMMANDER, DEFENSE PERSONNEL SUPPORT CENTER, DEFENSE LOGISTICS AGENCY, PHILADELPHIA, PA, ACCOMPANIED BY VERA ZAPPILE, ADVISER, SMALL AND DISADVANTAGED BUSINESS UTILIZATION

Colonel Rush. Mr. Chairman, I'm Col. Thomas A. Rush, Commander of the Defense Personnel Support Center. I have with me Ms. Vera Zappile, my small and disadvantaged business utilization adviser.

I would like to summarize my statement briefly, and I would like to begin by giving you a brief synopsis of the Defense Personnel Support Center, which is a major supply center in the Defense Logistics Agency.

DPSC is responsible for the acquisition of clothing, textiles and individual equipment items, medical items, and subsistence items. With our three separate commodities, DPSC awards contracts to U.S. businesses amounting to almost $2.8 billion annually.

This figure represents about 45 percent of all DLA procurement dollars, excluding fuels. We contract directly with small businesses for approximately 60 percent of our total dollars. The remainder is awarded to large businesses that provide for small business subcontracting opportunities, subject to the guidelines of Public Law 95-507 for inclusion of small business and small disadvantaged business subcontracting plans.

During fiscal years 1981 through 1983, we awarded 338 contracts with subcontracting plans. The total dollars committed to subcontracting on individual subcontracting plans was $255 million.

Of this amount, $122.3 million, or 48 percent, was committed to small business, and $12.1 million, or 5 percent, to small disadvantaged business concerns. In addition to the individual plans, we also have contracts with contractors that have approved commercial plans, which cover a company's total annual production for Federal Government and commercial sales.

Although we cannot separately identify DPSC contracts under the commercial plans, there was a total of $20.8 billion committed to subcontracting under these plans. Of this amount, $4.8 billion was committed to small business and $140.2 million to disadvantaged business concerns.

DPSC is implementing subcontracting provisions within the parameters of Public Law 95-507 and the Defense acquisition regulations. I believe the procedures to determine appropriate inclusion of the clause and the adequacy of a subcontracting plan are being judiciously followed.

DPSC maintains an Outreach Program that is specifically designed to promote and enhance prime contracting and subcontracting opportunities for small and small disadvantaged businesses.

Our program is comprehensive and effective. However, we continually pursue new initiatives and objectives that will increase the number of small and disadvantaged suppliers for both prime and subcontract awards.

That concludes my statement. I'll be glad to answer any further questions.

[Colonel Rush's prepared statement with attachments follows:]

PREPARED STATEMENT OF COL. THOMAS A. RUSH, COMMANDER, DEFENSE PERSONNEL SUPPORT CENTER, DEFENSE LOGISTICS AGENCY, PHILADELPHIA, PA

I AM COLONEL THOMAS A. RUSH, COMMANDER OF THE DEFENSE PERSONNEL SUPPORT CENTER (DPSC), A FIELD ACTIVITY OF THE DEFENSE LOGISTICS AGENCY (DLA). THIS MORNING I WILL DISCUSS OUR EXPERIENCE WITH THE IMPLEMENTATION OF THE SUBCONTRACTING PROVISIONS OF SECTION 211 IN PUBLIC LAW 95-507. I WILL ALSO ANSWER THE SPECIFIC QUESTIONS THAT I HAVE BEEN ASKED TO ADDRESS BY THE COMMITTEE IN ITS MARCH 20, 1984 LETTER. I HAVE WITH ME MS. VERA E. ZAPPILE, MY SMALL AND DISADVANTAGED BUSINESS UTILIZATION (SADBU) ADVISOR.

DPSC PROFILE

DPSC IS RESPONSIBLE FOR THE ACQUISITION OF CLOTHING, TEXTILES, INDIVIDUAL EQUIPMENT, MEDICAL AND SUBSISTENCE ITEMS. A BREAKDOWN OF OUR ACQUISITION ACTIVITY FOR FISCAL YEARS 1981, 1982, AND 1983, IS CONTAINED AT ATTACHMENT A.

GOALS FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS ARE ASSIGNED TO DLA BY THE DEPUTY SECRETARY OF DEFENSE. DLA, IN TURN, ASSIGNS THESE GOALS TO THE BUYING ACTIVITIES. DPSC GOALS AND ACCOMPLISHMENTS FOR EACH YEAR ARE ALSO DETAILED IN ATTACHMENT A. SMALL BUSINESS AND DISADVANTAGED BUSINESS SUBCONTRACTING GOALS ARE ASSIGNED BY DLA TO THE DEFENSE CONTRACT ADMINISTRATION SERVICES REGION (DCASR) RESPONSIBLE FOR THE POST AWARD ADMINISTRATION OF THE CONTRACT WE AWARD.

DPSC ALREADY CONTRACTS DIRECTLY WITH SMALL BUSINESSES FOR APPROXIMATELY 60% OF

OUR TOTAL DOLLARS, LEAVING ABOUT 40% OF OUR CONTRACTS BEING AWARDED TO LARGE BUSINESS FIRMS, WHICH PROVIDE FOR SMALL BUSINESS SUBCONTRACTING OPPORTUNITIES. THE ELIGIBLE AMOUNT IS THEN SUBJECT TO THE GUIDELINES OF PUBLIC LAW 95-507 FOR INCLUSION OF SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING CLAUSES. SUCH CLAUSES ARE INCLUDED ONLY IN UNRESTRICTED SOLICITATIONS IN EXCESS OF $500,000 WHICH CONTAIN SUBCONTRACTING POSSIBILITIES. THE RESULT IS THAT DPSC AWARDS ABOUT 150 CONTRACTS ANNUALLY WHICH MEET THE CRITERIA FOR SMALL BUSINESS SUBCONTRACTING PLANS.

NORMALLY, THE COMMODITIES WE PROCURE DO NOT LEND THEMSELVES TO COMPLEX SUBCONTRACTS, THEREFORE, THE BULK OF OUR SUBCONTRACTING IS COMPRISED OF RAW MATERIALS, COMPONENT PARTS, AND PACKAGING OPERATIONS. IN SOME CASES SUBCONTRACTING POSSIBILITIES DO NOT EXIST, AND WE HAVE EXEMPTIONS IN THREE SUCH AREAS.

A BLANKET EXEMPTION EXISTS FOR THE ACQUISITION OF RESALE FRESH MEAT AND MEAT PRODUCTS ON THE BASIS THAT PRODUCERS OF CARCASS ARE RARELY, IF EVER, IN A POSITION TO MAKE ADVANCE PLANS TO PURCHASE LIVE CATTLE FROM SELECTED SUPPLIERS, LARGE OR SMALL. ALTHOUGH THE PURCHASE OF RAW MATERIAL FALLS WITHIN THE DEFINITION OF SUBCONTRACTING, THE PRIME CONTRACTOR MUST HAVE CONTROL OVER SOURCE SELECTION IN ORDER TO DEVELOP ADVANCE PLANNING AS ENVISIONED BY PUBLIC LAW 95-507. IN THE PRODUCTION OF CARCASS, PRIME CONTRACTOR PURCHASES FOR LIVE CATTLE ARE GENERALLY MADE FROM AUCTIONS OR FEED LOTS AND CAN ALSO BE ACCOMPLISHED ON THE FUTURES MARKET, HOWEVER, IN ALL CASES THE ORIGIN OF THE RAW MATERIAL IS NOT READILY IDENTIFIABLE. BULK PURCHASES ARE MADE DAILY UNDER

TIGHT COMPETITION, SOMETIMES BY SIGHT, SOMETIMES BY PHONE, WITH NO RELATIONSHIP TO THE ULTIMATE END USE. ALSO, DUE TO THE PERISHABILITY OF THE PRODUCT, PROCESSING OPERATIONS ARE ALL PERFORMED IN-HOUSE.

ACQUISITION OF DAIRY PRODUCTS FOR BASES AND COMMISSARIES IN THE SOUTHERN STATES ARE ALSO EXEMPT BASED ON THE LACK OF SUBCONTRACTING POSSIBILITIES. DAIRIES IN THIS AREA CUSTOMARILY SUPPLY MILK FROM THEIR OWN COWS; DO THEIR OWN PACKAGING OPERATIONS; AND MAINTAIN THEIR OWN TRANSPORTATION FACILITIES. THE DCASR ATLANTA SADBU CONCURS IN THIS DETERMINATION.

A THIRD EXEMPTION INVOLVES REFRIGERATED WAREHOUSE SERVICES. THE NATURE OF THE REFRIGERATED WAREHOUSE OPERATION ON A SUPPLY POINT CONTRACT DOES NOT REQUIRE THE PROPOSED AWARDEE TO PURCHASE MATERIALS, SUPPLIES, PRODUCTS, OR SERVICES FOR THE PURPOSE OF PERFORMING, THEREFORE, SUBCONTRACTING CLAUSES ARE NOT INCLUDED.

THE PROCURING CONTRACTING OFFICER (PCO) PLAYS THE MAJOR ROLE FOR DPSC IN CARRYING OUT THE SUBCONTRACTING PROVISIONS IN PUBLIC LAW 95-507, AS IMPLEMENTED BY DAR 1-707. THE PCO IS RESPONSIBLE FOR DETERMINING, IN ADVANCE OF A SOLICITATION, WHETHER OR NOT A SUBCONTRACTING PLAN WILL BE REQUIRED. THIS DECISION IS BASED ON SEVERAL ESTABLISHED CRITERIA: THE SOLICITATION MUST BE UNRESTRICTED; IT MUST BE IN EXCESS OF $500,000, INCLUDING ANY OPTIONS; AND IT MUST POSSESS RECOGNIZABLE SUBCONTRACTING POSSIBILITIES, i.e., DO FIRMS ENGAGED IN THE PRODUCTION OF THE ITEM IN QUESTION CUSTOMARILY SUBCONTRACT FOR PERFORMANCE OF PART OF THE WORK, AND ARE THERE LIKELY TO BE PRODUCT PREQUALIFICATION REQUIREMENTS. DETERMINATIONS THAT SUBCONTRACTING

POSSIBILITIES DO NOT EXIST MUST BE CONCURRED IN BY THE APPROPRIATE DCASR AND DPSC SADBU OFFICES, AND THE SMALL BUSINESS ADMINISTRATION'S RESIDENT PROCUREMENT CENTER REPRESENTATIVE (PCR). THE ACTION IS APPROVED BY THE CHIEF OF THE CONTRACTING & PRODUCTION DIVISION.

EVALUATION OF SUBCONTRACTING PLANS

WHEN A SUBCONTRACTING PLAN IS REQUIRED, IT MUST BE EVALUATED FOR SIX ELEMENTS BEFORE APPROVAL BY THE PCO: (1) GOALS; (2) THE NAME OF THE INDIVIDUAL WHO WILL ADMINISTER THE PLAN; (3) DESCRIPTION OF EFFORTS TO ASSURE THAT SMALL & SMALL DISADVANTAGED CONCERNS WILL HAVE AN EQUITABLE OPPORTUNITY TO COMPETE; (4) FLOW DOWN OF CLAUSE IN SUBCONTRACTS; (5) REPORTS ON EXTENT OF COMPLIANCE; AND (6) TYPE OF RECORDS. WHEN REVIEWING A PLAN, THE PCO WILL ANALYZE AND EVALUATE THE ADEQUACY OF THE SIX ELEMENTS, WITHIN CERTAIN ESTABLISHED PARAMETERS, AS FOLLOWS:

ELEMENT #1 - GOALS - (1) TOTAL DOLLARS TO BE SUBCONTRACTED; (2) THE DOLLAR AMOUNT AND PERCENTAGE OF THE TOTAL SUBCONTRACTING DOLLARS TO BE AWARDED TO ALL SMALL BUSINESSES (INCLUDING DISADVANTAGED SMALL BUSINESSES); AND (3) THE DOLLAR AMOUNT AND PERCENTAGE TO BE SPECIFICALLY AWARDED TO DISADVANTAGED SMALL BUSINESSES. THE CONTRACTOR MAY INCLUDE A PROPORTIONATE SHARE OF SUPPLIES AND SERVICES WHOSE COSTS ARE NORMALLY ALLOCATED AS INDIRECT, OR AS ALLOCATED COSTS WHEN THEY ARE REASONABLY DETERMINED TO BE ATTRIBUTABLE TO THE CONTRACT. WHEN THESE COSTS ARE INCLUDED IN THE GOAL, THE PLAN MUST SHOW THE METHOD USED IN DETERMINING THE PROPORTIONATE SHARE OF INDIRECT AND

OVERHEAD COSTS TO BE ALLOCATED TO THE SPECIFIC ACQUISITION. IN REVIEWING PERCENTAGE GOALS, THE PCO MUST BE PARTICULARLY AWARE OF THE FACT THAT UNREALISTICALLY LOW GOALS WILL CREATE A FALSE SENSE OF SUCCESS AS WELL AS LIMIT ACHIEVEMENT, AND THUS SHOULD BE AVOIDED. LIKEWISE, GOALS THAT ARE TOO HIGH COULD SIGNIFICANTLY INCREASE THE GOVERNMENT'S COST OR SERIOUSLY IMPEDE THE ATTAINMENT OF ACQUISITION OBJECTIVES. IT IS POSSIBLE THAT A PLAN COULD CONTAIN A ZERO GOAL FOR SMALL AND/OR SMALL DISADVANTAGED BUSINESS PARTICIPATION. SUCH PLANS ARE SUBJECT TO CAREFUL REVIEW TO ENSURE THAT EFFORTS WERE MADE TO LOCATE QUALIFIED FIRMS. IN SUMMARY, THE PCO MUST BE ALERT FOR SUBCONTRACTING GOALS THAT THE PARTIES REASONABLY EXPECT CAN RESULT FROM THE OFFEROR EXPENDING GOOD FAITH EFFORTS TO USE SMALL AND SMALL DISADVANTAGED SUBCONTRACTORS TO THE MAXIMUM PRACTICABLE EXTENT.

ELEMENT #2 - ADMINISTRATOR - IN ASSIGNING A SMALL BUSINESS LIAISON OFFICER TO ADMINISTER A PLAN, THE FIRM SHOULD NAME AN INDIVIDUAL OF SUFFICIENT STATURE AND POSITION WITHIN THE ORGANIZATION TO ENSURE COMPLIANCE WITH SUBCONTRACTING PLAN PROVISIONS AND TO EFFECT CORRECTIVE ACTION WHEN NECESSARY.

ELEMENT #3 - INFORMATION ON THE DESCRIPTION OF EFFORTS - THIS SHOULD INCLUDE A COMPANY-WIDE POLICY STATEMENT ISSUED BY A TOP MANAGEMENT OFFICIAL THAT DELINEATES THE PROPER LEVELS OF RESPONSIBILITY. IT SHOULD CITE TOP MANAGEMENT'S INTEREST AND INVOLVEMENT IN ACHIEVEMENT OF THE PLAN. A PROCEDURE SHOULD BE ESTABLISHED FOR A SPECIFIC PROGRAM FOR TRAINING OF PERSONNEL INVOLVED IN THE CONTRACTOR'S ACQUISITION PROCESS. SPECIAL ASSISTANCE TO SMALL AND SMALL DISADVANTAGED FIRMS SHOULD INCLUDE OUTREACH EFFORTS TO LOCATE AND

QUALIFY SOURCES; FOLLOW-UP EFFORTS TO DETERMINE WHY SMALL AND SMALL DISADVANTAGED FIRMS DID NOT RESPOND TO SOLICITATIONS, OR WERE NOT SUCCESSFUL; AND THE ESTABLISHMENT OF ORGANIZATIONAL ELEMENTS TO PROVIDE SPECIAL MANAGEMENT, TECHNICAL AND FINANCIAL ASSISTANCE. ADEQUATE AND TIMELY CONSIDERATION OF THE POTENTIAL FOR SMALL AND SMALL DISADVANTAGED FIRMS TO PARTICIPATE MUST BE PROVIDED IN ALL "MAKE-OR-BUY" DECISIONS. THE PLAN SHOULD CONTAIN A DESCRIPTION OF HOW THE CONTRACTOR WILL DO THIS. ALSO, A PLAN SHOULD DESCRIBE THE CONTRACTOR'S PARTICIPATION IN COUNSELLING ACTIVITIES AS SPONSORED BY BUSINESS AND GOVERNMENTAL GROUPS.

ELEMENT #4 - FLOW-DOWN CLAUSE - THE PRIME CONTRACTOR HAS AN OBLIGATION TO FLOW THE SUBCONTRACTING PLAN REQUIREMENTS DOWN TO ITS SUBCONTRACTORS. THE PLAN MUST INDICATE THAT THIS WILL BE DONE.

ELEMENT #5 - REPORTS - THE CONTRACTOR MUST ASSURE IN HIS PLAN THAT HE WILL SUBMIT SUCH PERIODIC REPORTS AND COOPERATE IN ANY STUDIES OR SURVEYS AS MAY BE REQUIRED BY THE CONTRACTING AGENCY OR SBA IN ORDER TO DETERMINE THE EXTENT OF COMPLIANCE WITH THE PLAN. THE STANDARD FORM 294, "SUBCONTRACTING REPORT FOR INDIVIDUAL CONTRACTS," AND STANDARD FORM 295, "SUMMARY SUBCONTRACT REPORT" ARE FORWARDED TO AND EVALUATED BY THE COGNIZANT DCASR SADBU SPECIALIST.

ELEMENT #6 - TYPE OF RECORDS - THE FINAL ELEMENT OF A PLAN REQUIRES A CONTRACTOR TO MAINTAIN AND CITE IN THE PLAN, THE TYPE OF RECORDS NECESSARY TO DEMONSTRATE THE METHODS BY WHICH IT IS INTENDED THAT GOALS WILL BE MET AND THE REQUIREMENTS OF THE PLAN CARRIED OUT.

IN ESSENCE, THE PCO'S PRIMARY RESPONSIBILITY WHEN REVIEWING A PLAN IS TO ENSURE WHETHER IT DOES, IN FACT, PROVIDE THE MAXIMUM PRACTICABLE OPPORTUNITY FOR SMALL AND SMALL DISADVANTAGED BUSINESS CONCERNS TO PARTICIPATE IN THE PERFORMANCE OF THE CONTRACT.

IN MAKING A JUDGEMENT AS TO THE ACCEPTABILITY OF A PLAN ON A FORMALLY ADVERTISED SOLICITATION, THE PCO MAY REQUEST ADDITIONAL INFORMATION WHEN IT IS NOT PART OF THE INITIAL SUBMISSION. HOWEVER, AS IN ALL ELEMENTS OF AN INVITATION FOR BID (IFB), THE CONTENTS OF THE PLAN CANNOT BE NEGOTIATED. WHILE THE PCO MAY REQUEST ADDITIONAL INFORMATION TO EXPLAIN THE COMPANY'S POSITION, THE ELEMENTS WILL REMAIN AS STATED AND THE PCO EITHER ACCEPTS OR REJECTS THE PLAN BASED ON THE QUALITY OF THE SIX REQUIRED ELEMENTS. IF THE BIDDER FAILS TO SUBMIT A COMPLETE AND ACCEPTABLE PLAN THE BID IS REJECTED AS NON-RESPONSIVE. THE DCASR AND DPSC SADBU SPECIALISTS, AS WELL AS THE PCR, ARE AVAILABLE TO ADVISE AND ASSIST THE PCO IN EVALUATING A SUBCONTRACTING PLAN. DAR PROVISIONS (1-707.2(b)(vi) ONLY REQUIRE THE PCR TO REVIEW PROPOSED SUBCONTRACTING PLANS UNDER NEGOTIATED CONTRACTS.

WHEN A PLAN IS REQUESTED ON A NEGOTIATED SOLICITATION, THE OFFEROR IS INSTRUCTED TO FORWARD A COPY TO THE PCO AND THE APPROPRIATE DCASR SADBU. THIS PROCEDURE GIVES THE PCO THE BENEFIT OF DCAS's KNOWLEDGE AND EXPERIENCE WITH A CONTRACTOR's PERFORMANCE ON A WIDE RANGE OF DEPARTMENT OF DEFENSE (DoD) SUBCONTRACTING PLANS AS WELL AS THE CONTRACTOR's POLICIES, PRACTICES, PROCEDURES AND CAPABILITIES. BEFORE THE PCO ACCEPTS A PLAN ON A NEGOTIATED SOLICITATION, IT IS FORWARDED, TOGETHER WITH THE COMMENTS OF THE DCAS SADBU, THRU THE DPSC SADBU TO THE SBA-PCR FOR REVIEW. WHILE BOTH THE SADBU AND PCR ROLES ARE ADVISORY IN THIS PROCESS, RECOMMENDED REVISIONS ARE NORMALLY ACCEPTED AND IMPLEMENTED BEFORE AN AWARD IS MADE. IT SHOULD BE NOTED THAT THERE HAVE BEEN NO REPORTS MADE BY THE PCR TO SBA CENTRAL CITING INADEQUATE DPSC PLANS. NOR WERE ANY CONTRACTS CITED FOR FAILURE TO CONTAIN A PLAN WHEN THE CRITERIA FOR INCLUSION WERE MET.

A REVIEW OF DPSC'S EXPERIENCE WITH SUBCONTRACTING PROVISIONS INDICATES THAT NO AWARDS WERE DENIED AS A RESULT OF A FIRM'S REFUSAL TO SUBMIT A PLAN OR FOR SUBMITTAL OF A FINAL PLAN THAT WAS UNACCEPTABLE TO THE PCO. WE HAVE ANALYZED THE EFFECTS OF SUBCONTRACTING PROVISIONS ON PROCUREMENT ADMINISTRATIVE LEADTIME (PALT) AND FIND A NEGLIGIBLE IMPACT INASMUCH AS NEGOTIATIONS CONCERNING SUBCONTRACT PLANS USUALLY OCCUR CONCURRENTLY WITH OTHER PRE-AWARD ACTIONS.

DPSC HAS NOT RECEIVED NOTIFICATION THAT ANY OF ITS PRIME CONTRACTORS ARE IN VIOLATION OF SUBCONTRACTING PROVISIONS UNDER SECTION 211 OF PUBLIC LAW 95-507. HOWEVER, IF A NON-COMPLIANCE REPORT WERE RECEIVED, IT WOULD BE INCUMBENT UPON THE PCO TO TAKE IMMEDIATE ACTION TO FULLY INVESTIGATE THE REASONS FOR NON-COMPLIANCE. AS A FIRST STEP, ANY PENDING AWARDS TO THE FIRM FOUND IN NON-COMPLIANCE WOULD BE WITHHELD. DEPENDING ON THE BASIS FOR THE NON-COMPLIANCE, TERMINATION FOR DEFAULT COULD BE RECOMMENDED ON ACTUAL CONTRACTS. ANY SUCH PROCEEDINGS WOULD INVOLVE COORDINATION WITH DPSC's OFFICE OF COUNSEL. THERE HAVE BEEN NO DPSC CONTRACTS TERMINATED AS A RESULT OF A FIRM'S NON-COMPLIANCE WITH A SUBCONTRACTING PLAN.

DURING FISCAL YEARS 1981, 1982, AND 1983, A TOTAL OF 338 DPSC SUBCONTRACTING PLANS WERE APPROVED, OF WHICH 162 RESULTED FROM ADVERTISED SOLICITATIONS (IFB's) AND 176 FROM NEGOTIATED SOLICITATIONS (RFP'S). A SUMMARY AND BREAKDOWN, BY COMMODITY DIRECTORATE, IS CONTAINED AT ATTACHMENTS B THRU E.

TYPES OF PLANS

PUBLIC LAW 95-507 PROVIDES FOR THREE TYPES OF SUBCONTRACTING PLANS:

1) THE INDIVIDUAL PLAN IS A PLAN TAILORED TO MEET THE CIRCUMSTANCES OF A GIVEN CONTRACT. THE PCO IS RESPONSIBLE FOR DETERMINING THAT AN INDIVIDUAL PLAN IS ACCEPTABLE.

2) THE COMMERCIAL PLAN IS A PLAN USED IN THE ACQUISITION OF COMMERCIAL ITEMS. IT PERMITS A CONTRACTOR TO SUBMIT ONLY ONE SUBCONTRACTING PLAN TO COVER PRODUCTION FOR AN ENTIRE FISCAL YEAR. IT MAY BE SUBMITTED ON A COMPANY-WIDE OR DIVISION-WIDE BASIS AND GENERALLY COVERS THE COMPANY'S TOTAL PRODUCTION, INCLUDING BOTH GOVERNMENT CONTRACTS AND REGULAR COMMERCIAL SALES. THE FIRST FEDERAL AGENCY PLACING A CONTRACT OF $500,000 OR MORE SHALL DETERMINE THE ACCEPTABILITY OF THE PLAN, WHICH IS THEN APPLICABLE FOR ALL

SUBSEQUENT FEDERAL CONTRACTS FOR THE PERIOD INDICATED. NEVERTHELESS, IN ACTUAL PRACTICE AT DPSC, SUCH PLANS ARE REVIEWED TO ASSURE THAT THEY DO CONTAIN WHAT WE CONSIDER TO BE A MAXIMUM PRACTICABLE OPPORTUNITY FOR SMALL AND SMALL DISADVANTAGED BUSINESS PARTICIPATION IN THE PERFORMANCE OF THE CONTRACT. IN THOSE CASES WHERE THE PCO DETERMINES THAT THE PLAN IS INADEQUATE, REVISIONS ARE NEGOTIATED. THE COMMERCIAL PLAN IS FREQUENTLY USED IN OUR MEDICAL CONTRACTS.

3) THE MASTER PLAN IS A PLAN WHICH ADDRESSES ALL REQUIRED ELEMENTS OF A COMPANY'S PLAN EXCEPT SPECIFIC GOALS. THE MASTER PLAN IS REVIEWED AND APPROVED BY THE DCASR'S ADMINISTRATIVE CONTRACTING OFFICER (ACO). WHEN A MASTER PLAN IS SUBMITTED AGAINST A SPECIFIC SOLICITATION, THE GOALS FOR THAT INDIVIDUAL CONTRACT MUST BE APPROVED BY THE PCO. LIKEWISE, THE FINAL PLAN MUST BE ACCEPTABLE TO THE PCO BEFORE AN AWARD CAN BE MADE.

INCENTIVE SUBCONTRACTING PROGRAM

THE NEXT PORTION OF MY TESTIMONY ADDRESSES THE INCENTIVE SUBCONTRACTING PROGRAM. PUBLIC LAW 95-507 ESTABLISHED AN INCENTIVE SUBCONTRACTING PROGRAM TO MOTIVATE PRIME CONTRACTORS TO INCREASE SUBCONTRACT AWARDS TO SMALL AND SMALL DISADVANTAGED BUSINESS FIRMS. TO MEET THE CRITERIA FOR INCLUSION OF AN INCENTIVE CLAUSE, WE MUST HAVE A NEGOTIATED CONTRACT, OVER $500,000, PLACED WITH A LARGE BUSINESS CONCERN, AND HAVING SUBCONTRACTING POSSIBILITIES. EACH PLAN MEETING THIS CRITERIA IS ANALYZED DURING THE NEGOTIATION PROCESS TO

DETERMINE WHETHER AN INCENTIVE CLAUSE IS APPROPRIATE. IT HAS BEEN DPSC'S EXPERIENCE THUS FAR, THAT INCLUSION OF A MONETARY INCENTIVE WOULD NOT INCREASE SUBCONTRACTING POSSIBILITIES. WE HAVE CONCLUDED, HOWEVER, THAT THE MEAL READY TO EAT (MRE) PROGRAM HAS THE GREATEST POTENTIAL FOR INCENTIVE SUBCONTRACTING AND WE PLAN TO PURSUE THIS ON FUTURE ACQUISITIONS. OPPORTUNITIES IN THIS AREA HAVE BEEN SEVERELY LIMITED IN THE PAST DUE TO THE DEVELOPMENTAL NATURE OF THE ENTIRE MRE PROGRAM. AN IN-DEPTH UNDERSTANDING OF AN INDUSTRY, TOGETHER WITH ITS PRACTICES, CAPACITIES AND CAPABILITIES IS ESSENTIAL IN ORDER TO ESTABLISH A BASIS FOR THE INCENTIVE AND THE MAXIMUM AWARD FEE THAT WILL BE PAID. WITH EACH SUCCEEDING MRE ASSEMBLY AND COMPONENT BREAKOUT ACQUISITION, WE ARE ACHIEVING THIS UNDERSTANDING AND IT IS OUR INTENTION TO MAKE EFFECTIVE USE OF THIS KNOWLEDGE TO NEGOTIATE A MEANINGFUL INCENTIVE PROVISION.

DPSC IS WELL AWARE OF THE SIGNIFICANCE AND IMPORTANCE OF THE INCENTIVE SUBCONTRACTING PROGRAM TO THE INCREASED PARTICIPATION OF SMALL AND SMALL DISADVANTAGED BUSINESSES IN THE ACQUISITION PROCESS AND OUR EFFORTS TO INCLUDE THE INCENTIVE FEATURE WHERE APPROPRIATE ARE ONGOING.

OUTREACH PROGRAMS

DPSC MAINTAINS AN OUTREACH PROGRAM THAT COVERS A BROAD SPECTRUM OF ACTIVITIES, ALL SINGULARLY DIRECTED TO INCREASE THE PARTICIPATION OF SMALL BUSINESS AND DISADVANTAGED BUSINESS IN THE FEDERAL ACQUISITION PROCESS, BOTH AS PRIME SUPPLIERS AND SUBCONTRACTORS. A PRINCIPAL OUTREACH TOOL IS THE PROCUREMENT CONFERENCE. NOT ONLY DOES DPSC ACTIVELY PARTICIPATE IN CONFERENCES THROUGHOUT

THE UNITED STATES, IT ALSO HOSTS ITS OWN CONFERENCES AT THE CENTER. IN MAY 1982, WE CONDUCTED A SMALL BUSINESS SEMINAR FOR THE PURPOSE OF APPRISING BUSINESSES OF THE OPPORTUNITIES AVAILABLE FOR OBTAINING THEIR SHARE OF DoD PRIME AND SUBCONTRACT AWARDS. IN OCTOBER OF 1983, IN RECOGNITION OF MINORITY BUSINESS DEVELOPMENT WEEK, DPSC HELD A CONFERENCE FOR DISADVANTAGED BUSINESSES DURING WHICH THEY WERE GIVEN DETAILED INFORMATION ABOUT OUR ACQUISITION PROGRAM, OUR METHODS OF DOING BUSINESS AND THE CONTRACTING AND SUBCONTRACTING OPPORTUNITIES AVAILABLE. IN FACT, A COMPLETE AGENDA ITEM WAS DEVOTED TO SUBCONTRACTING. IN CONJUNCTION WITH THE DCASR REPRESENTATIVE PRESENT, ATTENDEES WERE COUNSELLED ON THE SUBCONTRACTING PROGRAM, AND PROVIDED COPIES OF THE DoD SMALL BUSINESS SUBCONTRACTING DIRECTORY, WHICH IS PUBLISHED AS AN AID TO SMALL BUSINESS CONCERNS SEEKING SUBCONTRACTING OPPORTUNITIES WITH DoD PRIME CONTRACTORS. THE DIRECTORY, WHICH IS REGULARLY USED IN COUNSELLING SESSIONS CONDUCTED BY MY SADBU STAFF, IS ARRANGED ON A STATE BASIS SHOWING THE NAME AND ADDRESS OF THE DoD PRIME CONTRACTOR, HIS SMALL BUSINESS LIAISON OFFICER, AND HIS TELEPHONE NUMBER, AND THE PRIME CONTRACTOR'S PRODUCT OR SERVICE LINE. AN ADDITIONAL DIRECTORY IS AVAILABLE WITHIN EACH DCASR, SPECIFICALLY LISTING PRIME CONTRACTORS WITHIN THAT GEOGRAPHICAL AREA.

DPSC'S OUTREACH EFFORTS IN THE AREA OF SUBCONTRACTING EXTEND BEYOND DIRECT ASSISTANCE TO SMALL BUSINESS AND DISADVANTAGED BUSINESS. WE HAVE ALSO BEEN VERY EFFECTIVE IN COUNSELLING LARGE BUSINESSES IN THE PROPER PREPARATION OF A MEANINGFUL SUBCONTRACTING PLAN.

THE DPSC SMALL BUSINESS OFFICE HAS INITIATED A SERIES OF IN-HOUSE WORKSHOPS, WHERE SMALL GROUPS OF MANUFACTURERS VISIT THE CENTER AND ARE GIVEN A THOROUGH ORIENTATION ON HOW TO DO BUSINESS WITH THE GOVERNMENT, BOTH AS A PRIME AND A SUBCONTRACTOR. A NUMBER OF THESE WORKSHOPS HAVE BEEN HELD IN CONJUNCTION WITH THE NEW YORK CITY OFFICE OF ECONOMIC DEVELOPMENT.

WE ALSO UTILIZE INDUSTRY AND TRADE ORGANIZATION PUBLICATIONS TO FURTHER EXPAND OUR OUTREACH EFFORTS. ADVERTISEMENTS THRU THESE MEDIA HAVE BEEN VERY EFFECTIVE IN HELPING US TO LOCATE NEW SOURCES OF SUPPLY.

DPSC IS PRESENTLY INVOLVED IN AN EXTENSIVE OUTREACH EFFORT FOR THE CLOTHING AND TEXTILE COMMODITY. THROUGH THE DUNS MARKETING SERVICE, A COMPANY OF DUN & BRADSTREET, WE HAVE IDENTIFIED OVER 26,000 CLOTHING & APPAREL (C&A) MANUFACTURERS THROUGHOUT THE UNITED STATES WHO HAVE NOT PREVIOUSLY DONE BUSINESS WITH US. OUR OBJECTIVE IS TO EXPAND THE ACTIVE BIDDER'S MAILING LIST AT DPSC FOR THE PURPOSE OF INCREASING THE DoD INDUSTRIAL BASE FOR C&A COMMODITIES AND IMPROVING COMPETITION. WE ARE WORKING CLOSELY WITH THE NINE DCAS REGIONS ON THIS PROJECT AND PLANS ARE PRESENTLY UNDERWAY FOR THE DEVELOPMENT OF PRODUCT FAIRS IN DIFFERENT AREAS AROUND THE COUNTRY TO INTRODUCE THESE FIRMS TO DPSC'S ACQUISITION PROGRAM.

OBVIOUSLY, DPSC'S OUTREACH PROGRAM IS DEDICATED TO THE PRESERVATION AND EXPANSION OF OUR SMALL & DISADVANTAGED BUSINESS PROGRAM AND WE WILL CONTINUE TO FURTHER OUR EFFORTS IN THIS AREA.

CONCLUSIONS

IN SUMMARY, DPSC IS IMPLEMENTING SUBCONTRACTING PROVISIONS WITHIN THE PARAMETERS OF PUBLIC LAW 95-507 AND THE DEFENSE ACQUISITION REGULATION (DAR). I AM CONVINCED THAT PROCEDURES TO DETERMINE APPROPRIATE INCLUSION OF THE CLAUSE AND THE ADEQUACY OF A SUBCONTRACTING PLAN ARE BEING JUDICIOUSLY FOLLOWED. HOWEVER, WE ARE CONTINUALLY STRIVING FOR IMPROVEMENT. WHILE THE MAJORITY OF FIRMS INTRODUCED TO DPSC ARE PRIMARILY INTERESTED IN PRIME CONTRACTING OPPORTUNITIES, WE WILL STRESS MORE EMPHATICALLY, IN OUR COUNSELLING SESSIONS, THE SIGNIFICANT SUBCONTRACT OPPORTUNITY MARKET THAT IS AVAILABLE. ADDITIONALLY, IN OUR EFFORTS TO INCREASE SUBCONTRACTING OPPORTUNITIES FOR SMALL DISADVANTAGED BUSINESSES, DPSC'S SADBU OFFICE IS DEVELOPING PLANS FOR A MORE EFFECTIVE EXCHANGE OF INFORMATION ON POTENTIAL SUBCONTRACTING SOURCES WITH THE DCASR SADBU SPECIALISTS. THIS WILL BE ACCOMPLISHED BY A QUARTERLY NOTICE PROVIDING INFORMATION ON NEW MINORITY BUSINESS CONCERNS INTRODUCED TO DPSC TOGETHER WITH THEIR PRODUCTS OR SERVICES. THIS WILL ENABLE DCAS AS WELL AS DPSC TO IDENTIFY DISADVANTAGED BUSINESS FIRMS WITH SPECIFIC POTENTIAL FOR SUBCONTRACTING ON DPSC PRIME CONTRACTS. I ALSO PLAN TO EXTEND OUR EFFORTS TO LOCATE NEW SOURCES OF SUPPLY AS IDENTIFIED BY THE DUNS MARKETING SERVICE TO MY MEDICAL AND SUBSISTENCE COMMODITIES. INASMUCH AS THESE COMMODITIES AFFORD THE GREATEST OPPORTUNITY FOR SUBCONTRACTING, THE IDENTIFICATION OF ADDITIONAL SMALL BUSINESSES WITH SPECIFIC CAPABILITIES HAS THE POTENTIAL FOR INCREASED SUBCONTRACTING ACTIVITY IN THESE AREAS. AS A GENERAL OBSERVATION, I WOULD POINT OUT THAT THE QUALITY

OF COMMERCIAL SUBCONTRACTING PLANS COULD BE IMPROVED IF UNIFORM REVIEWING PRACTICES AND A COMMON MEASUREMENT FOR PLAN ACCEPTABILITY WERE ADOPTED BY ALL FEDERAL AGENCIES.

FINALLY, THE DEFENSE PERSONNEL SUPPORT CENTER IS COMMITTED TO THE INCREASED INVOLVEMENT OF SMALL & SMALL DISADVANTAGED BUSINESSES IN ALL OF OUR PROCUREMENTS. THE SUBCONTRACTING PROGRAM, AS ESTABLISHED BY PUBLIC LAW 95-507, HAS BEEN AND WILL CONTINUE TO BE AN INTEGRAL AND VITAL PART OF OUR SOCIO-ECONOMIC PROGRAM. WE WILL CONTINUE TO IMPLEMENT THAT PROGRAM IN ACCORDANCE WITH THE LAW AND TAKE ALL PRACTICABLE AND REASONABLE ACTIONS TO ASSURE THAT OUR PRIME CONTRACTORS DO, IN FACT, CARRY OUT THEIR CONTRACTUAL OBLIGATIONS TO MAXIMIZE SUBCONTRACTING OPPORTUNITIES FOR SMALL AND SMALL DISADVANTAGED BUSINESSES.

DPSC
(In Millions of Dollars)

	FY 81	FY 82	FY 83
U.S. BUSINESS AWARDS	$2582.4	$2603.8	$2773.8
SMALL BUSINESS GOAL	*(41.6%)	*(52.9%)	*(59.0%)
SMALL BUSINESS AWARD ACCOMPLISHMENTS	(54.9%)	(57.2%)	(59.7%)
	$1418.3	$1489.3	$1656.0
DISADVANTAGED BUSINESS GOAL	$ 41.8	$ 47.1	$ 75.0
DISADVANTAGED BUSINESS AWARD ACCOMPLISHMENTS	$ 42.7	$ 39.1	$ 96.0
LARGE BUSINESS AWARDS	$1164.1	$1114.5	$1117.8

*PERCENTAGE OF U.S. BUSINESS AWARDS

ATTACHMENT A

DPSC

SUBCONTRACTING PLANS ACCEPTED

	IFB (ADVERTISED)		RFP (NEGOTIATED)	
	INDIVIDUAL	COMMERCIAL	INDIVIDUAL	COMMERCIAL
FY 81	51	3	21	27
TOTAL SUBCONTRACTING COMMITMENT	$ 93.4	$ 132.0	$ 32.3	$ 1212.9
SMALL BUSINESS	$ 35.7	$ 26.3	$ 20.7	$ 346.8
DISADVANTAGED BUSINESS	$ 1.3	$ 1.4	$ 6.6	$ 13.6
FY 82	53	10	29	32
TOTAL SUBCONTRACTING COMMITMENT	$ 52.0	$ 2203.3	$ 29.1	$ 7711.0
SMALL BUSINESS	$ 24.1	$ 436.0	$ 17.2	$ 1682.1
DISADVANTAGED BUSINESS	$ 1.3	$ 18.1	$ 2.0	$ 41.8
FY 83	40	5	30	37
TOTAL SUBCONTRACTING COMMITMENT	$ 30.9	$ 335.0	$ 17.1	$ 9212.5
SMALL BUSINESS	$ 14.8	$ 121.9	$ 9.8	$ 2173.1
DISADVANTAGED BUSINESS	$ 0.720	$ 3.1	$ 0.187	$ 62.2

REMARKS: The subcontracting commitments shown for Commercial Plans for DPSC as well as the individual Commodities, cover a company's total annual production for Government and Commercial sales. They do not relate to a specific solicitation or contract.

Following are the numbers of plans received for negotiated contracts and the number that were unacceptable upon receipt. Revisions were negotiated, and the final plan was acceptable to the PCO:

	RFP PLANS RECEIVED	RFP PLANS REVISED	PERCENTAGE
FY 81	48	15	31.3%
FY 82	61	21	34.4%
FY 83	67	17	25.4%

The following IFB Plans did not include all six elements. The bidder was requested to furnish the missing information and in all cases the final plan was accepted by the PCO:

FY 81	FY 82	FY 83
3	4	7

ATTACHMENT B

CLOTHING AND TEXTILES

SUBCONTRACTING PLANS ACCEPTED

	IFB		RFP	
	INDIVIDUAL	COMMERCIAL	INDIVIDUAL	COMMERCIAL
FY 81	42	0	4	0
TOTAL SUBCONTRACTING COMMITMENT	$ 56.5	$ 0	$ 2.4	$ 0
SMALL BUSINESS	$ 26.0	$ 0	$ 1.6	$ 0
DISADVANTAGED BUSINESS	$ 0.961	$ 0	$ 0.093	$ 0
FY 82	35	1	4	0
TOTAL SUBCONTRACTING COMMITMENT	$ 39.6	$1750.0	$ 1.9	$ 0
SMALL BUSINESS	$ 15.8	$ 245.0	$ 0.354	$ 0
DISADVANTAGED BUSINESS	$ 1.1	$ 9.6	$ 0.006	$ 0
FY 83	26	0	8	0
TOTAL SUBCONTRACTING COMMITMENT	$ 21.3	$ 0	$ 6.7	$ 0
SMALL BUSINESS	$ 8.6	$ 0	$ 4.7	$ 0
DISADVANTAGED BUSINESS	$ 0.150	$ 0	$ 0.049	$ 0

Following are the numbers of plans received for negotiated contracts and the number that were unacceptable upon receipt. Revisions were negotiated and the final plan was acceptable to the PCO:

	RFP PLANS RECEIVED	RFP PLANS REVISED	PERCENTAGE
FY 81	4	1	25%
FY 82	4	1	25%
FY 83	8	1	12.5%

The following IFB plans did not include all six elements. The bidder was requested to furnish the missing information and in all cases the final plan was accepted by the PCO:

FY 81	FY 82	FY 83
0	2	3

REMARKS: As the accomplishments indicate, the Clothing & Textile Commodity places most of its contracting dollars with small businesses, therefore, only approximately 2-3% of its contracts require subcontracting plans. Those that are required pertain, for the most part, to footwear and textile contracts. There have been no exemptions processed because subcontracting possibilities do not exist.

ATTACHMENT C

MEDICAL

SUBCONTRACTING PLANS ACCEPTED

	IFB		RFP	
	INDIVIDUAL	COMMERCIAL	INDIVIDUAL	COMMERCIAL
FY 81	2	1	5	24
TOTAL SUBCONTRACTING COMMITMENT	$ 1.3	$ 2.0	$ 2.3	$ 1136.4
SMALL BUSINESS	$ 0.155	$ 0.189	$ 0.222	$ 335.4
DISADVANTAGED BUSINESS	$ 0.009	$ 0.028	$ 0.041	$ 13.5
FY 82	3	9	6	29
TOTAL SUBCONTRACTING COMMITMENT	$ 2.8	$452.8	$ 2.2	$ 7634.1
SMALL BUSINESS	$ 0.445	$191.0	$ 1.1	$ 1670.5
DISADVANTAGED BUSINESS	$ 0.022	$ 8.5	$ 0.029	$ 41.6
FY 83	1	5	4	35
TOTAL SUBCONTRACTING COMMITMENT	$ 0.780	$335.0	$ 0.607	$ 9165.5
SMALL BUSINESS	$ 0.055	$121.9	$ 0.111	$ 2169.7
DISADVANTAGED BUSINESS	$ 0.008	$ 3.1	$ 0.012	$ 61.3

Following are the numbers of plans received for negotiated contracts and the number that were unacceptable upon receipt. Revisions were negotiated and the final plan was acceptable to the PCO:

	RFP PLANS RECEIVED	RFP PLANS REVISED	PERCENTAGE
FY 81	29	13	44.8%
FY 82	35	17	48.6%
FY 83	39	14	35.9%

The following IFB Plans did not include all six elements. The bidder was requested to furnish the missing information and in all cases, the final plan was accepted by the PCO:

FY 81	FY 82	FY 83
1	2	2

ATTACHMENT D

SUBSISTENCE

SUBCONTRACTING PLANS ACCEPTED

	IFB		RFP	
	INDIVIDUAL	COMMERCIAL	INDIVIDUAL	COMMERCIAL
FY 81	7	2	12	3
TOTAL SUBCONTRACTING COMMITMENT	$ 35.6	$ 130.0	$ 27.6	$ 76.5
SMALL BUSINESS	$ 9.6	$ 26.1	$ 18.9	$ 11.4
DISADVANTAGED BUSINESS	$ 0.370	$ 1.35	$ 6.5	$ 0.152
FY 82	15	0	19	3
TOTAL SUBCONTRACTING COMMITMENT	$ 9.6	$ 0	$ 25.0	$ 76.9
SMALL BUSINESS	$ 7.9	$ 0	$ 15.7	$ 11.6
DISADVANTAGED BUSINESS	$ 0.170	$ 0	$ 2.0	$ 0.175
FY 83	13	0	18	2
TOTAL SUBCONTRACTING COMMITMENT	$ 8.8	$ 0	$ 9.8	$ 47.0
SMALL BUSINESS	$ 6.1	$ 0	$ 5.0	$ 1.6
DISADVANTAGED BUSINESS	$ 0.562	$ 0	$ 0.126	$ 0.950

Following are the numbers of plans received for negotiated contracts and the numbers that were unacceptable upon receipt. Revisions were negotiated and the final plan was acceptable to the PCO:

	RFP PLANS RECEIVED	RFP PLANS REVISED	PERCENTAGE
FY 81	15	1	6.7%
FY 82	22	3	13.6%
FY 83	20	2	10.0%

The following IFB Plans did not include all six elements. The bidder was requested to furnish the missing information and in all cases, the final plan was accepted by the PCO:

FY 81	FY 82	FY 83
2	0	2

ATTACHMENT E

Mr. HAYES. Thank you General Voorhees and General Stallings.

I would like to direct a question to General Voorhees. You heard General Stallings' statement?

General VOORHEES. I did.

Mr. HAYES. Earlier that contract monitoring belonged to the DCASR. Could you expand on that?

General VOORHEES. Indeed. If we have those contracts or subcontracts under our cognizance, we do pick up the compliance review in conjunction with the Small Business Administration. To give some perspective of the number of contracts we're talking about within the Los Angeles region, the total number of contractors we deal with is in the neighborhood of 4,800. The total number of contracts we administer at any one point in time exceeds 68,000.

So indeed we do have cognizance, and we do have review responsibility. In terms of our small business subcontracting compliance reviews, that's the reason for dedicated people onsite at our four major locations, and the headquarters function, which has five folks headed by Mr. Ganalon. These people are responsible for conducting reviews of prime contractor performance in complying with their plans. This is a specific functional responsibility in addition to all the other functional areas that we have cognizance over.

Mr. HAYES. Thank you.

This question is directed to either one of you two officers or both: What factors are used by the PCO to determine whether or not a percentage goal is unrealistically low?

Colonel RUSH. We have a written procedure that the contracting officer follows when he makes the evaluation. He must also be familiar with the contractor, the business he's in, the type of product and the type of suppliers that are going to supply the prime contractor.

He has available for advice the small and disadvantaged business utilization representative at both the Defense Personnel Support Center and at the cognizant Defense Contract Administration Services region, as well as the Small Business Administration Procurement Center representative, who is onsite at DPSC.

He calls on all of these people and all of these facilities in order to make a good evaluation.

General VOORHEES. I would agree with that. Indeed, Colonel Rush is on the buying side of the house. We do very little direct procurement within DCASR. We have administrative contracting officers, as opposed to the procurement contract officers.

Mr. HAYES. General Voorhees, on page 5 of your testimony you stated that 90 prime contractors are found to be in noncompliance. Give an overview of the problems and provide the committee with the names of those companies. Is it possible for you to do that?

General VOORHEES. I'm not sure we're together here. I believe I cited approximately 90 prime contractors that were found to be in noncompliance.

Mr. HAYES. Yes, sir.

General VOORHEES. I will attempt to supply that for the record, sir. You want the individual contracts——

Mr. HAYES. We would like to have it as part of the record, if you could.

[The information referred to above follows:]

As noted in subsequent testimony, the 90 contractors that were initially found to be in noncompliance with their approved subcontracting plans have either corrected the deficiencies or are in the process of doing so. Accordingly, and in discussions with committee members subsequent to the formal hearing, it was agreed that their names were not to be submitted for the record.

Mr. DAUB. Mr. Chairman, would you do so with the advice of counsel relative to the disclosure of those names and the form in which you might be doing that? It's not something that you just do relative to the potential damage that could do to the businesses themselves if in fact they've done nothing wrong in subsequent investigations.

So you have to be careful to spread that kind of information on the record without the matter being cleared and checked, so it may take some time for that kind of a submission, although it is permissible for us to ask for it.

I wish to caution the witnesses that you should qualify your statement for the record so that everybody's protected.

General VOORHEES. Indeed. I should add one mitigating comment; the term noncompliance needs to be taken in a time frame context, I believe I indicated for the record the extent to which we are able to correct deficiencies which at one time were sound but indeed were corrected. So in that context I'd like to staff that and come back to you with the advice of counsel.

Mr. DAUB. Would the chairman yield?

Mr. HAYES. Go ahead.

Mr. DAUB. I would hate to have the contractors who within a matter of days back in compliance spread in the record of this hearing for being in some way cursorily examined as in noncompliance.

I would hope that only those ultimately that ended up being very serious violators of what was at stake—because we could be giving a small and disadvantaged minority business a very bad name by putting them into the record as a part of an overall general contractor's inability to quite focus on what should be done, and I would ask the chairman in that submission to be sure that, you know, we didn't have things going into the record here that really weren't meant to get at the root of what the gentleman's intention was and harm someone that wasn't intended to be harmed.

Mr. HAYES. I would certainly accept the advice that my colleague here has given. We are concerned about those firms that might be accused of being in noncompliance and may have done so erroneously to seek the advice of the counsel before entering it into the record is a sound and good suggestion.

Now, Colonel Rush, you admitted in your statement on page 8 that a firm's refusal to submit a final plan, acceptable to the PCO has not prevented an award of a contract. You also stated on the same page that there's a negligible impact "on procurement administrative lead time," since negotiations concerning subcontractual plans usually occur concurrently with other preaward actions.

Thus you're saying this negligible impact on procurement administrative lead time justifies an award of the contract despite possible statutory violations of the subcontracting plan.

Colonel RUSH. No, sir, that's not what I was intending. What I had intended to say was that there was a negligible impact as the small business subcontracting plan is negotiated at the same time other information on a negotiated procurement is negotiated, so it all takes place at the same time.

The previous statement was that we had found no one in violation of the subcontracting law. What I meant by that is that we have always been able, if we had a disagreement with the contractor on what was acceptable, to negotiate that and reach an acceptable agreement between the contractor and the contracting officer. We have not accepted plans that were inadequate.

Mr. **Hayes**. Thank you very much for that explanation.

The next question is directed to either of you: Why have there been no DPSC contracts terminated as a result of the firm's noncompliance with the subcontracting plan?

Colonel **Rush**. We have had no reports that our contractors, after award of a contract, were not in compliance with the plan. Therefore, there's been no reason to terminate the contractor, or a lesser type of action. However, I think that General Voorhees can address this, that there are occasions when the small and disadvantaged business adviser to DCASR or the administrative contracting officer are required to communicate with the contractor if he is not complying and make sure that he does get back on track and complies.

General **Voorhees**. Yes; I would like to address that, and it might help, sir, to place the previous answer to your question with regard to noncompliance back in perspective. The original figure of 90 contractors found in noncompliance should be followed up with the words that 42 of those contractor deficient plans were corrected by liaison with the small business liaison officer within those companies and my SADBU specialists; 37 contractor deficiencies were resolved through efforts of my cognizant administrative contracting officer, and the management of those particular companies.

The remaining balance, most of which are recent, are still being worked by the administrative contracting officer for resolution of cited deficiencies. There are other avenues. Having followed procedures to that point without success, the administrative contracting officer then has the prerogative of going to his local DCASMA commander and having that commander intercede with the chief executive officer of that particular company.

If we are not able to resolve it at that point, there still remains the liaison between the administrative contracting officer and the procurement contracting officer, who indeed has the remaining leverage to work with the company to try to resolve the cited deficiencies or then take appropriate action.

I should say in the past 3 years we have not had to use that process at any point. We have never gone back to the procurement contracting officer for his resolution of the problem. So I think all that needs to be placed into perspective.

Mr. **Hayes**. Thank you very much.

Mr. Daub?

Mr. **Daub**. Mr. Chairman, thank you. I served on the Government Operations Committee for 2 years, and spent a good deal of time in oversight over these very same matters, so I'm probably more familiar with how you work than most members of this Small Business Committee.

I will assure you that in the next two hearings in addition to this one, I will do all I can to prevent any part of the record from appearing that someone or some group is on a witch hunt. Now, I want to make it very clear that I'm interested in compliance, and that's very important to me.

I'll serve notice right now publicly that any attempt that's made to mishandle information to fulfill someone's political desires for press release purposes shall not be tolerated.

What we want is compliance, we want minority and small business and economically disadvantaged and women and handicapped-type opportunities, and we want the services and the civilian employees to be feeling like they can be candid with Members of Congress and be candid with committees like this so we can improve the processes and not just go out and nail some business to the yardarm for somebody's November 6 aspirations.

Now, I hope that the Air Force will do the same, or you could within your own commands. I don't want you to go through the Air Force now, but within each of your commands, or your area, would you please provide the 1981, 1982, and 1983 information that I saw to the previous panel?

[The information referred to above follows:]

In the subsequent hearing on April 10, 1984, representatives of the Office of Secretary of Defense clarified the fact that the names of minority business firms that are subcontractors of Department of Defense prime contractors is not maintained in the DOD data system, thus is not available for submission for the record.

Mr. DAUB [continuing]. Who are a minority and/or small and disadvantaged business contractor by name, the dollar volume of their business for each of those 3 years. I'd like to track, just to see if out of 300 or 3,000 businesses or contracts there seems to be a pattern of one or two or three businesses that get all of the business in your particular area with the kind of contracts that you all offer.

I'd like to see if graduation ultimately helps us in the 8(a) program, for example, if we need 3 years instead of 8 years, if we need opportunities for concentration on Hispanic or native American activity, as opposed to black and/or women, or whatever. I'm looking for these kinds of things overall in the next two hearings as well. So if you could do that, even if you can't get too specific, try to give me aggregate numbers. I'm not looking for any more than trends.

Any questions about what I'm asking each of your people to do? Don't look beyond, just look within your own shops and give me some idea about what your 3-year experiences have been. That's important.

Now, what do you think about the $500,000 limitation? I think, Colonel, in your testimony, and I read each of your testimony completely while you were summarizing, you said that you found an opportunity in the meals program, the packaged meals program, that you were going to work further on. Is the $500,000 limit where it ought to be? Should it be higher? Should it be lower?

Colonel RUSH. I think generally for Defense Personnel Support Center $500,000 is an adequate level. The reference to the meals ready-to-eat had to do with the incentive clause, and we're going to work very hard to get an incentive clause in that particular contract.

Mr. **Daub**. But generally your testimony said that you didn't think the incentive clause helped too much, but was that limited to your kind of business.

Colonel **Rush**. That wasn't my intention. I think that in our business we haven't been able to use it because we couldn't find anyplace where it would actually significantly improve the participation.

Mr. **Daub**. Thank you. General?

General **Voorhees**. I am not a procuring activity, so really it's kind of moot for me. I should say that we have the whole spectrum of contracts that we administer, and I have a neutral position with regard to that.

Mr. **Daub**. Would your associate have any comment about that from experience in examining levels of dollar——

Mr. **Ganalon**. No, none at all, sir. We can live with the $500,000.

Mr. **Daub**. Would your technical person have anything to say?

Ms. **Zappile**. I agree that $500,000 is and adequate level.

Mr. **Daub**. OK.

Mr. Chairman, I have no more questions.

Mr. **Hayes**. I have one final question for either of you: Have you found any final cases of noncompliance?

Colonel **Rush**. No, sir. We have not in DPSC found any final noncompliance of a contractor.

Mr. **Hayes**. Have you?

General **Voorhees**. We have no final noncompliance. As I said, we have not yet gone back to a procurement contracting officer, so that would indicate we're still working.

Mr. **Hayes**. I want to thank both of you for your testimony. It will be submitted into the record in its entirety. This subcommittee may have further questions, but these questions will be submitted in writing for the record.

Thank you very much. This concludes this hearing on this matter.

[Whereupon, at 12:28 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX

Appendix A.--Public Law 95-507

Public Law 95-507
95th Congress

An Act

To amend the Small Business Act and the Small Business Investment Act of 1958.

Oct. 24, 1978
[H.R. 11318]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Small Business Act and Small Business Investment Act of 1958, amendment.

TITLE I—AMENDMENTS TO THE SMALL BUSINESS INVESTMENT ACT OF 1958

Chapter 1

Purchase and guarantee operations.
15 USC 683.

Sec. 101. Section 303(c)(1) of the Small Business Investment Act of 1958 is amended to read as follows:

"(1) shares of nonvoting stock (or other corporate securities having similar characteristics), provided—

"(i) dividends are preferred and cumulative to the extent of 3 per centum of par value per annum;

"(ii) on liquidation of redemption the Administration is entitled to the preferred payment of the par value of such securities; and prior to any distribution (other than to the Administration) the Administration shall be paid any amounts as may be due pursuant to subparagraph (i) of this paragraph;

"(iii) the purchase price shall be at par value and, in any one sale, $50,000 or more; and

"(iv) the amount of such securities purchased and outstanding at any one time shall not exceed—

"(A) from a company licensed on or before October 13, 1971, 200 per centum of the combined private paid-in capital and paid-in surplus of such company, or

"(B) from any such company licensed after October 13, 1971, and having a combined paid-in capital and paid-in surplus of less than $500,000, 100 per centum of such capital and surplus, or

"(C) from any such company licensed after October 13, 1971, and having a combined private paid-in capital and paid-in surplus of $500,000 or more, 200 per centum of such capital and surplus.

"Equity securities."

"The amount of such securities purchased by the Administration in excess of 100 per centum of such capital and surplus from any company described in clause (A) or (C) may not exceed an amount equal to the amount of its funds invested in or legally committed to be invested in equity securities. For the purposes of the subsection, the term 'equity securities' means stock of any class (including preferred stock) or limited partnership interests, or shares in a syndicate, business trust, joint stock company or association, mutual corporation, cooperative or other joint ventures for profit, or unsecured debt instruments which are subordinated by their terms to all other borrowings of the issuer.".

15 USC 687.

Sec. 102. The last sentence of section 308(b) of the Small Business Investment Act of 1958 is amended to read as follows: "Such companies are authorized to invest funds not reasonably needed for their operations in direct obligations of, or obligations guaranteed as to principal and interest by, the United States, or in certificates of deposit maturing within one year or less, issued by any institution the accounts of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or in savings accounts of such institutions.".

Repeal.
15 USC 687i.

SEC. 103. The last sentence of section 317 of the Small Business Investment Act of 1958 is repealed.

15 USC 681.

SEC. 104. Section 301(d) of the Small Business Investment Act of 1958 is amended by inserting "or formed as a limited partnership," immediately after "statutes,".

Capital requirements for small business investment companies.
15 USC 682.

SEC. 105. Section 302(a) of the Small Business Investment Act of 1958 is amended to read as follows:

"SEC. 302(a). The combined private paid-in capital and paid-in surplus of any company licensed pursuant to sections 301(c) and (d) of this Act shall not be less than $150,000: *Provided, however*, That the combined private paid-in capital and paid-in surplus of any company licensed on or after October 1, 1979 pursuant to sections 301(c) and (d) of this Act shall be not less than $500,000. In all cases, such capital and surplus shall be adequate to assure a reasonable prospect that the company will be operated soundly and profitably, and managed actively and prudently in accordance with its articles.".

CHAPTER 2

15 USC 694a.

SEC. 110. Section 410(4) of the Small Business Investment Act of 1958 is amended by—

(1) deleting the word "or" after the phrase "conditions of the contract,"; and

(2) deleting the period after the phrase "fails to make prompt payment" and inserting in lieu thereof ", or (D) is an agent, independent agent, underwriter, or any other company or individual empowered to act on behalf of such person.".

Surety bond guarantees.
15 USC 694b.

SEC. 111. Section 411 of the Small Business Investment Act of 1958 is amended to read as follows:

"SEC. 411. (a) The Administration may, upon such terms and conditions as it may prescribe, guarantee and enter into commitments to guarantee any surety (the terms and conditions of said guarantees and commitments may vary from surety to surety on the basis of the Administration's experience with the particular surety) against loss, as hereinafter provided, as the result of a breach of the terms of a bid bond, payment bond, performance bond, or bonds ancillary and coterminous therewith, by a principal on any contract up to $1,000,000, subject to the following conditions:

"(1) the person who would be the principal of the bond is a small business concern;

"(2) the bond is required in order for such person to bid on a contract, or to serve as a prime contractor or subcontractor thereon;

"(3) such person is not able to obtain such bond on reasonable terms and conditions without a guarantee under this section;

"(4) the Administration determines that there is a reasonable expectation that such person will perform the covenants and conditions of the contract with respect to which the bond is required;

"(5) the contract meets requirements established by the Administration for feasibility of successful completion and reasonableness of cost; and

"(6) the terms and conditions of any bond guaranteed under the authority of this part are reasonable in light of the risks involved and the extent of the surety's participation.

"(b) Subject to the provisions of this section, in connection with the issuance by the Administration of a guarantee to a surety as provided by subsection (a), the Administration may agree to indemnify such surety against a loss sustained by such surety in avoiding or attempting to avoid a breach of the terms of a bond guaranteed by the Administration pursuant to subsection (a): *Provided, however*—

"(1) prior to making any payment under this subsection, the Administration shall first determine that a breach of the terms of such bond was imminent;

Limitation.

"(2) no payment by the Administration pursuant to this subsection shall exceed 10 per centum of the contract price unless the Administrator determines that a greater payment should be made as a result of a finding by the Administrator that the surety's loss sustained in avoiding or attempting to avoid such breach was necessary and reasonable; and

"(3) no new agreements to indemnify shall be entered into pursuant to this subsection subsequent to two years after the date of its enactment.

Limitation.

"(c) Any guarantee or agreement to indemnify under this section shall obligate the Administration to pay to the surety a sum not to exceed (1) in the case of a breach of contract, 90 per centum of the loss incurred and paid by the surety to or on behalf of the obligee, or to labor and materialmen, in fulfilling the terms of the contract as the result of the breach; or (2) in a case to which subsection (b) applies, the amount determined under subsection (b).

Regulations.

"(d) The Administration may establish and periodically review regulations for participating sureties which shall require such sureties to meet Administration standards for underwriting, claim practices, and loss ratios.

"(e) Pursuant to any such guarantee or agreement, the Administration shall reimburse the surety, as provided in subsection (c) of this section, except that the Administration shall be relieved of all liability if—

"(1) the surety obtained such guarantee or agreement, or applied for such reimbursement, by fraud or material misrepresentation, or

"(2) the total contract amount at the time of execution of the bond or bonds exceeds $1,000,000.

"(f) The Administration may, upon such terms and conditions as it may prescribe, adopt a procedure for reimbursing a surety for its paid losses billed each month, based upon prior monthly payments to such surety, with subsequent adjustments after such disbursement.

Audit.

"(g) The Administration may at all reasonable times audit in the offices of a participating surety all documents, files, books, records, and other material relevant to the Administration's guarantee, commitments to guarantee, or agreements to indemnify any surety pursuant to this section.

Administration.

"(h) The Administration shall administer this Part on a prudent and economically justifiable basis and establish such fee or fees for small business concerns and premium or premiums for sureties as it deems reasonable and necessary, to be payable at such time and under such conditions as may be determined by the Administration.

15 USC 693.

"(i) The provisions of section 402 shall apply in the administration of this section.".

Community injection funds.
15 USC 696.

SEC. 112. Section 502 of the Small Business Investment Act of 1958 is amended by adding at the end of paragraph (4) the following new sentence: "Community injection funds may be derived, in whole or in part, from—

"(A) State or local governments;

"(B) banks or other financial institutions;

"(C) foundations or other not-for-profit institutions; or

"(D) a small business concern (or its owners, stockholders, or affiliates) receiving assistance through bodies authorized under this title.".

TITLE II—AMENDMENTS TO THE SMALL BUSINESS ACT

CHAPTER 1

15 USC 631.

SEC. 201. Section 2 of the Small Business Act is amended by adding at the end thereof the following new subsection:

"(e)(1) with respect to the Administration's business development programs the Congress finds—

"(A) that the opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic equality for such persons and improve the functioning of our national economy;

"(B) that many such persons are socially disadvantaged because of their identification as members of certain groups that have suffered the effects of discriminatory practices or similar invidious circumstances over which they have no control;

"(C) that such groups include, but are not limited to, Black Americans, Hispanic Americans, Native Americans, and other minorities;

"(D) that it is in the national interest to expeditiously ameliorate the conditions of socially and economically disadvantaged groups;

"(E) that such conditions can be improved by providing the maximum practicable opportunity for the development of small business concerns owned by members of socially and economically disadvantaged groups;

"(F) that such development can be materially advanced through the procurement by the United States of articles, equipment, supplies, services, materials, and construction work from such concerns; and

"(G) that such procurements also benefit the United States by encouraging the expansion of suppliers for such procurements, thereby encouraging competition among such suppliers and promoting economy in such procurements.

Post, p. 1761.

"(2) It is, therefore, the purpose of section 8(a) to—

"(A) foster business ownership by individuals who are both socially and economically disadvantaged;

"(B) promote the competitive viability of such firms by providing such available contract, financial, technical, and management assistance as may be necessary; and

"(C) clarify and expand the program for the procurement by the United States of articles, equipment, supplies, services, materials, and construction work from small business concerns owned by socially and economically disadvantaged individuals.".

Procurement contracts.

SEC. 202. (a) Section 8(a) of the Small Business Act (15 U.S.C. 637(a)) is amended to read as follows:

"SEC. 8. (a)(1) It shall be the duty of the Administration and it is hereby empowered, whenever it determines such action is necessary or appropriate—

"(A) to enter into contracts with the United States Government and any department, agency, or officer thereof having procurement powers obligating the Administration to furnish articles, equipment, supplies, services, or materials to the Government or to perform construction work for the Government. In any case in which the Administration certifies to any officer of the Government having procurement powers that the Administration is competent and responsible to perform any specific Government procurement contract to be let by any such officer, such officer shall be authorized in his discretion to let such procurement contract to the Administration upon such terms and conditions as may be agreed upon between the Administration and the procurement officer. Whenever the Administration and such procurement officer fail to agree, the matter shall be submitted for determination to the Secretary or the head of the appropriate department or agency by the Administrator;

"(B) to enter into contracts with such agency, as shall be designated by the President within 60 days after the effective date of this paragraph, to furnish articles, equipment, supplies, services, or materials, or to perform construction work for such agency. In any case in which the Administration certifies to any officer of such agency having procurement powers that the Administration is competent and responsible to perform any specific procurement contract to be let by any such officer, such officer shall let such procurement contract to the Administration upon such terms and conditions as may be agreed upon between the Administration and the procurement officer. If the Administration and such procurement officer fail to agree on such terms and conditions, either the Administration or such officer shall promptly notify, in writing, the head of such agency. The head of such agency shall have five days (exclusive of Saturdays, Sundays, and legal holidays) to establish the terms and conditions upon which such procurement contract may be let to the Administration, and shall communicate in writing to the Administration the terms and conditions so established. Within five days (exclusive of Saturdays, Sundays, and legal holidays) after the receipt of such written communication, the Administration shall decide whether to perform such procurement contract or withdraw its prior certification that the Administration is competent and responsible to perform such contract; and

"(C) to arrange for the performance of such procurement contracts by negotiating or otherwise letting subcontracts to socially and economically disadvantaged small business concerns for construction work, services, or the manufacture, supply, assembly of such articles, equipment, supplies, materials, or parts thereof, or servicing or processing in connection therewith, or such management services as may be necessary to enable the Administration to perform such contracts.

"No contract may be entered into under subparagraph (B) after September 30, 1980.

Performance bonds.

"(2) Notwithstanding subsections (a) and (c) of the first section of the Act entitled 'An Act requiring contracts for the construction, alteration, and repair of any public building or public work of the United States to be accompanied by a performance bond protecting the United States and by additional bond for the protection of persons furnishing material and labor for the construction, alteration, or repair of said public buildings or public work,' approved August 24, 1935 (49 Stat. 793), no small business concern shall be required to provide any amount of any bond as a condition of receiving any subcontract under this subsection if the Administrator determines that such amount is inappropriate for such concern in performing such contract: *Provided*, That the Administrator shall exercise the authority granted by the paragraph only if—

"(A) the Administration takes such measures as it deems appropriate for the protection of persons furnishing materials and labor to a small business receiving any benefit pursuant to this paragraph;

"(B) the Administration assists, insofar as practicable, a small business receiving the benefits of this paragraph to develop, within a reasonable period of time, such financial and other capability as may be needed to obtain such bonds as the Administration may subsequently require for the successful completion of any program conducted under the authority of this subsection;

"(C) the Administration finds that such small business is unable to obtain the requisite bond or bonds from a surety and that no surety is willing to issue such bond or bonds subject to the guarantee provisions of Title IV of the Small Business Investment Act of 1958; and

"(D) the small business is determined to be a start-up concern and such concern has not been participating in any program conducted under the authority of this subsection for a period exceeding one year.

"This paragraph shall not apply after September 30, 1980.

"(3) Any small business concern selected by the Administration to perform any Federal Government procurement contract to be let pursuant to this subsection shall, when practicable, participate in any negotiation of the terms and conditions of such contract.

"Socially and economically disadvantaged small business concern."

"(4) For purposes of this section, the term 'socially and economically disadvantaged small business concern' means any small business concern—

"(A) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

"(B) whose management and daily business operations are controlled by one or more of such individuals.

"Socially disadvantaged individuals."

"(5) Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

"Economically disadvantaged individuals."

"(6) Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged. In determining the degree of diminished credit and capital opportunities the Administration shall consider, but not be limited to, the assets and net worth of such socially disadvantaged individual.

"(7) No small business concern shall be deemed eligible for any assistance pursuant to this subsection unless the Administration determines that with contract, financial, technical, and management support the small business concern will be able to perform contracts which may be awarded to such concern under paragraph (1)(C) and has reasonable prospects for success in competing in the private sector.

Determinations.

"(8) All determinations made pursuant to paragraphs (4), (5), (6) and (7), shall be made by the Associate Administrator for Minority Small Business and Capital Ownership Development.

Publication in Federal Register.

"(9) Within ninety days after the effective date of this paragraph, the Administration shall publish in the Federal Register rules setting forth those conditions or circumstances pursuant to which a firm previously deemed eligible by the Administration may be denied assistance under the provisions of this subsection: *Provided*, That no such firm shall be denied total participation in any program conducted under the authority of this subsection without first being afforded a hearing on the record in accordance with chapter 5 of title 5, United States Code.

"(10) The Administration shall develop and implement an outreach program to inform and recruit small business concerns to apply for eligibility for assistance under this subsection.

"(11) To the maximum extent practicable, construction subcontracts awarded by the Administration pursuant to this subsection shall be awarded within the county or State where the work is to be performed.

Annual estimate.

"(12) To the maximum extent practicable the Associate Administrator for Minority Small Business and Capital Ownership Development shall submit, no less frequently than annually, a yearly estimate of the dollar amounts and types of contracts required for the efficient use of any program conducted under the authority of this subsection, to each agency which may participate in such program.".

Report to Congress.

Ante, p. 1761.

Ante, p. 1760.

(b) Not later than June 30, 1980, the General Accounting Office shall submit to the Congress a report which, with respect to provisions of paragraphs (1)(B) and (2) of section 8(a) of the Small Business Act, shall evaluate the implementation of such provisions and whether such implementation furthered the purposes under section 2(e) of the Small Business Act.

15 USC 631.

SEC. 203. Section 2(c) of the Small Business Act is amended by inserting "(1)" after "(c)" and by adding at the end thereof the following new paragraph:

Post, p. 1764.

"(2)(A) With respect to the programs authorized by section 7(j) of this Act, the Congress finds—

"(i) that ownership and control of productive capital is concentrated in the economy of the United States and certain groups, therefore, own and control little productive capital;

"(ii) that certain groups in the United States own and control little productive capital because they have limited opportunities for small business ownership;

"(iii) that the broadening of small business ownership among groups that presently own and control little productive capital is essential to provide for the well-being of this Nation by promoting their increased participation in the free enterprise system of the United States;

"(iv) that such development of business ownership among groups that presently own and control little productive capital will be greatly facilitated through the creation of a small business ownership development program, which shall provide services, including, but not limited to, financial, management, and technical assistance.

Ante, p. 1761.

"(v) that the power to let sole source Federal contracts pursuant to section 8(a) of the Small Business Act can be an effective procurement assistance tool for development of business ownership among groups that own and control little productive capital; and

"(vi) that the procurement authority under section 8(a) of the Small Business Act shall be used only as a tool for developing business ownership among groups that own and control little productive capital.

Infra.

"(B) It is, therefore, the purpose of the programs authorized by section 7(j) of this Act to—

"(i) foster business ownership by individuals in groups that own and control little productive capital; and

"(ii) promote the competitive viability of such firms by creating a small business and capital ownership development program to provide such available financial, technical, and management assistance as may be necessary.".

SEC. 204. Section 7(j) of the Small Business Act is amended to read as follows:

Technical and management assistance.

"(j)(1) The Administration shall provide financial assistance to public or private organizations to pay all or part of the cost of projects designed to provide technical or management assistance to individuals or enterprises eligible for assistance under sections 7(i), 7(j)(10), and 8(a) of this Act, with special attention to small businesses located in areas of high concentration of unemployed or low-income individuals, to small businesses eligible to receive contracts pursuant to section 8(a) of this Act.

"(2) Financial assistance under this subsection may be provided for projects, including, but not limited to—

"(A) planning and research, including feasibility studies and market research;

"(B) the identification and development of new business opportunities;

"(C) the furnishing of centralized services with regard to public services and Federal Government programs including programs authorized under sections 7(i), (7)(j)(10), and 8(a) of this Act;

"(D) the establishment and strengthening of business service agencies, including trade associations and cooperatives; and

"(E) the furnishing of business counseling, management training, and legal and other related services, with special emphasis on the development of management training programs using the resources of the business community, including the development of management training opportunities in existing business, and with emphasis in all cases upon providing management training of sufficient scope and duration to develop entrepreneurial and managerial self-sufficiency on the part of the individuals served.

Subcontract placement with businesses located in certain areas.

"(3) The Administration shall encourage the placement of subcontracts by businesses with small business concerns located in areas of high concentration of unemployed or low-income individuals, with small businesses owned by low-income individuals, and with small businesses eligible to receive contracts pursuant to section 8(a) of this Act. The Administration may provide incentives and assistance to such businesses that will aid in the training and upgrading of potential subcontractors or other small business concerns eligible for assistance under sections 7(i), 7(j), and 8(a) of this Act.

Ante, p. 1761.

15 USC 636.

Ante, p. 1764.

Advisory committee, establishment.

Membership.

"(A) An advisory committee composed of five high-level officers from five United States businesses and five representatives of minority small businesses shall be created to facilitate the achievement of the purposes of this paragraph. The members of the advisory committee shall be appointed by the President. The chairman of the advisory committee, who shall be designated by the President shall report annually to the President and to the Congress on the activities of the advisory committee.

Report to Congress.

"(B) The General Accounting Office shall evaluate the activities taken by the Administration to achieve the purpose of this paragraph and evaluate the success of these activities in achieving the purposes of this paragraph. The General Accounting Office shall report to the Congress by January 1, 1981, and at any time thereafter at the discretion of the Comptroller General, on the findings of this evaluation and shall make recommendations on actions needed to improve the Administration's performance pursuant to this paragraph.

"(4) The Administration shall give preference to projects which promote the ownership, participation in ownership, or management of small businesses owned by low-income individuals and small businesses eligible to receive contracts pursuant to section 8(a) of this Act.

Grants and contracts.

"(5) The financial assistance authorized for projects under this subsection includes assistance advanced by grant, agreement, or contract.

"(6) The Administration is authorized to make payments under grants and contracts entered into under this subsection in lump sum or installments, and in advance or by way of reimbursement, and in the case of grants, with necessary adjustments on account of overpayments or underpayments.

"(7) To the extent feasible, services under this subsection shall be provided in a location which is easily accessible to the individuals and small business concerns served.

Program evaluation.

Report to Congress.

"(8) The General Accounting Office shall provide for an independent and continuing evaluation of programs under sections 7(i), 7(j), and 8(a) of this Act, including full information on, and analysis of, the character and impact of managerial assistance provided, the location, income characteristics, and extent to which private resources and skills have been involved in these programs. Such evaluation together with any recommendations deemed advisable by the Comptroller General shall be reported to the Congress by January 1, 1981, and at any time thereafter at the discretion of the Comptroller General.

"(9) The Administration shall take such steps as may be necessary and appropriate, in coordination and cooperation with the heads of other Federal departments and agencies, to insure that contracts, subcontracts, and deposits made by the Federal Government or with programs aided with Federal funds are placed in such way as to further the purposes of sections 7(i), 7(j), and 8(a) of this Act.

Small business and capital ownership development program, establishment.

"(10) There is established within the Administration a small business and capital ownership development program (hereinafter referred to as the 'Program') which shall provide assistance exclusively for small business concerns eligible to receive contracts pursuant to section 8(a) of this Act. The management of the Program shall be vested in the Associate Administrator for Minority Small

Business and Capital Ownership Development who shall also manage all other services and activities authorized under sections 7(j) and 8(a) of this Act.

Ante, pp. 1764, 1761.

"(A) The Program shall—

"(i) assist small business concerns participating in the Program to develop comprehensive business plans with specific business targets, objectives, and goals;

"(ii) provide for such other nonfinancial services as deemed necessary for the establishment, preservation, and growth of small business concerns participating in the Program, including but not limited to (I) loan packaging, (II) financial counseling, (III) accounting and bookkeeping assistance, (IV) marketing assistance, and (V) management assistance;

"(iii) assist small business concerns participating in the Program to obtain equity and debt financing;

"(iv) establish regular performance monitoring and reporting systems for small business concerns participating in the Program to assure compliance with their business plans;

"(v) analyze and report the causes of success and failure of small business concerns participating in the Program; and

"(vi) provide assistance necessary to help small business concerns participating in the Program to procure surety bonds, with such assistance including, but not limited to, (I) the preparation of application forms required to receive a surety bond, (II) special management and technical assistance designed to meet the specific needs of small business concerns participating in the Program and which have received or are applying to receive a surety bond, and (III) preparation of all forms necessary to receive a surety bond guarantee from the Administration pursuant to title IV, part B of the Small Business Investment Act of 1958.

15 USC 694a.

"(B) Small business concerns eligible to receive contracts pursuant to section 8(a) of this Act shall participate in the Program.

"(C) No small business concern shall receive a contract pursuant to section 8(a) of this Act unless the Program is able to provide such small business concern with, but not limited to, such management, technical, and financial services as may be necessary to promote the competitive viability of the small business concern within a reasonable period of time.

Responsibilities.

"(11) The Associate Administrator for Minority Small Business and Capital Ownership Development shall be responsible for coordinating and formulating policies relating to Federal assistance to small business concerns eligible for assistance under section 7(i) of this Act and small business concerns eligible to receive contracts pursuant to section 8(a) of this Act.".

SEC. 205. Section 7(k) of the Small Business Act is amended by striking the words "7(i) and 7(j)" and inserting in lieu thereof "7(i), 7(j), and 8(a)".

15 USC 633.

SEC. 206. Section 4(b) of the Small Business Act is amended by striking "Associate Administrator for Minority Small Business" where it appears therein and by substituting the following: "Associate Administrator for Minority Small Business and Capital Ownership Development".

SEC. 207. Nothing in this chapter is intended to duplicate or limit any programs or projects administered by the Department of Commerce.

15 USC 647 note.

CHAPTER 2

SEC. 211. Section 8(d) of the Small Business Act is amended to read as follows:

Contract opportunities for certain small business concerns.
15 USC 637.

"(d)(1) It is the policy of the United States that small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

"(2) The clause stated in paragraph (3) shall be included in all contracts let by any Federal agency except any contract which—

"(A) does not exceed $10,000;

"(B) including all subcontracts under such contracts will be performed entirely outside of any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico; or

"(C) is for services which are personal in nature.

"(3) The clause required by paragraph (2) shall be as follows:

"'(A) It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

"'(B) The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. The contractor further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the contractor's compliance with this clause.

Definitions.

"'(C) As used in this contract, the term "small business concern" shall mean a small business as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern—

15 USC 632.

"'(i) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

"'(ii) whose management and daily business operations are controlled by one or more of such individuals.

"'The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to section 8(a) of the Small Business Act.

"'(D) Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.'

"(4)(A) Each solicitation of an offer for a contract to be let by a Federal agency which is to be awarded pursuant to the negotiated method of procurement and which may exceed $1,000,000, in the case of a contract for the construction of any public facility, or $500,000, in the case of all other contracts, shall contain a clause notifying potential offering companies of the provisions of this subsection relating to contracts awarded pursuant to the negotiated method of procurement.

"(B) Before the award of any contract to be let, or any amendment or modification to any contract let, by any Federal agency which—

"(i) is to be awarded, or was let, pursuant to the negotiated method of procurement,

"(ii) is required to include the clause stated in paragraph (3),

"(iii) may exceed $1,000,000 in the case of a contract for the construction of any public facility, or $500.000 in the case of all other contracts, and

"(iv) which offers subcontracting possibilities,

the apparent successful offeror shall negotiate with the procurement authority a subcontracting plan which incorporates the information prescribed in paragraph (6). The subcontracting plan shall be included in and made a material part of the contract.

"(C) If, within the time limit prescribed in regulations of the Federal agency concerned, the apparent successful offeror fails to negotiate the subcontracting plan required by this paragraph, such offeror shall become ineligible to be awarded the contract. Prior compliance of the offeror with other such subcontracting plans shall be considered by the Federal agency in determining the responsibility of that offeror for the award of the contract.

"(D) No contract shall be awarded to any offeror unless the procurement authority determines that the plan to be negotiated by the offeror pursuant to this paragraph provides the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of the contract.

Incentives for small business subcontracting.

"(E) Notwithstanding any other provision of law, every Federal agency, in order to encourage subcontracting opportunities for small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals as defined in paragraph (3) of this subsection, is hereby authorized to provide such incentives as such Federal agency may deem appropriate in order to encourage such subcontracting opportunities as may be commensurate with the efficient and economical performance of the contract: *Provided*, That, this subparagraph shall apply only to contracts let pursuant to the negotiated method of procurement.

Subcontracting plans.

"(5)(A) Each solicitation of a bid for any contract to be let, or any amendment or modification to any contract let, by any Federal agency which—

"(i) is to be awarded pursuant to the formal advertising method of procurement,

"(ii) is required to contain the clause stated in paragraph (3) of this subsection,

"(iii) may exceed $1,000,000 in the case of a contract for the construction of any public facility, or $500,000, in the case of all other contracts, and

"(iv) offers subcontracting possibilities,

shall contain a clause requiring any bidder who is selected to be awarded a contract to submit to the Federal agency concerned a subcontracting plan which incorporates the information prescribed in paragraph (6).

"(B) If, within the time limit prescribed in regulations of the Federal agency concerned, the bidder selected to be awarded the contract fails to submit the subcontracting plan required by this paragraph, such bidder shall become ineligible to be awarded the contract. Prior compliance of the bidder with other such subcontracting plans shall be considered by the Federal agency in determining the responsibility of such bidder for the award of the contract. The subcontracting plan of the bidder awarded the contract shall be included in and made a material part of the contract.

"(6) Each subcontracting plan required under paragraph (4) or (5) shall include—

"(A) percentage goals for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals;

"(B) the name of an individual within the employ of the offeror or bidder who will administer the subcontracting program of the offeror or bidder and a description of the duties of such individual;

"(C) a description of the efforts the offeror or bidder will take to assure that small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts;

"(D) assurances that the offeror or bidder will include the clause required by paragraph (2) of this subsection in all subcontracts which offer further subcontracting opportunities, and that the offeror or bidder will require all subcontractors (except small business concerns) who receive subcontracts in excess of $1,000,000 in the case of a contract for the construction of any public facility, or in excess of $500,000 in the case of all other contracts, to adopt a plan similar to the plan required under paragraph (4) or (5);

"(E) assurances that the offeror or bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the Federal agency or the Administration in order to determine the extent of compliance by the offeror or bidder with the subcontracting plan; and

"(F) a recitation of the types of records the successful offeror or bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns.

"(7) The provisions of paragraphs (4), (5), and (6) shall not apply to offerors or bidders who are small business concerns.

"(8) The failure of any contractor or subcontractor to comply in good faith with— **Breach of contract.**

"(A) the clause contained in paragraph (3) of this subsection, or

"(B) any plan required of such contractor pursuant to the authority of this subsection to be included in its contract or subcontract,

shall be a material breach of such contract or subcontract.

"(9) Nothing contained in this subsection shall be construed to supersede the requirements of Defense Manpower Policy Number 4A (32A CFR Chap. 1) or any successor policy.

"(10) In the case of contracts within the provisions of paragraphs (4), (5), and (6), the Administration is authorized to—

"(A) assist Federal agencies and businesses in complying with their responsibilities under the provisions of this subsection, including the formulation of subcontracting plans pursuant to paragraph (4);

Review.

"(B) review any solicitation for any contract to be let pursuant to paragraphs (4) and (5) to determine the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate as subcontractors in the performance of any contract resulting from any solicitation, and to submit its findings, which shall be advisory in nature, to the appropriate Federal agency; and

Subcontracting plans, compliance evaluation.

"(C) evaluate compliance with subcontracting plans, either on a contract-by-contract basis, or in the case contractors having multiple contracts, on an aggregate basis.

Report to congressional committees.

"(11) At the conclusion of each fiscal year, the Administration shall submit to the Senate Select Committee on Small Business and the Committee on Small Business of the House of Representatives a report on subcontracting plans found acceptable by any Federal agency which the Administration determines do not contain maximum practicable opportunities for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of contracts described in this subsection.".

CHAPTER 3

15 USC 644.

SEC. 221. Section 15 of the Small Business Act is amended by adding at the end of subsection (f) the following new subsections:

"(g) The head of each Federal agency shall, after consultation with the Administration, establish goals for the participation by small business concerns, and by small business concerns owned and controlled by socially and economically disadvantaged individuals, in procurement contracts of such agency having values of $10,000 or more. Goals established under this subsection shall be jointly established by the Administration and the head of each Federal agency and shall realistically reflect the potential of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to perform such contracts and to perform subcontracts under such contracts. Whenever the Administration and the head of any Federal agency fail to agree on established goals, the disagreement shall be submitted to the Administrator of the Office of Federal Procurement Policy for final determination.

Reports to Small Business Administration.

"(h) At the conclusion of each fiscal year, the head of each Federal agency shall report to the Administration on the extent of participation by small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals in procurement contracts of such agency. Such reports shall contain appropriate justifications for failure to meet the goals established under subsection (g) of this section. The Administration shall submit to the Select Committee on Small Business of the Senate and

Submittal of information to congressional committees.

the Committee on Small Business of the House of Representatives information obtained from such reports, together with appropriate comments.

"(i) Nothing in this Act or any other provision of law precludes exclusive small business set-asides for procurements of architectural and engineering services, research, development, test and evaluation, and each Federal agency is authorized to develop such set-asides to further the interests of small business in those areas.

Small purchase procedures.

"(j) Each contract for the procurement of goods and services which has an anticipated value of less than $10,000 and which is subject to small purchase procedures shall be reserved exclusively for small business concerns unless the contracting officer is unable to obtain offers from two or more small business concerns that are competitive with market prices and in terms of quality and delivery of the goods or services being purchased. In utilizing small purchase procedures, contracting officers shall, wherever circumstances permit, choose a method of payment which minimizes paperwork and facilitates prompt payment to contractors.

Office of Small and Disadvantaged Business Utilization, establishment.

"(k) There is hereby established in each Federal agency having procurement powers an office to be known as the 'Office of Small and Disadvantaged Business Utilization'. The management of each such office shall be vested in an officer or employee of such agency who shall—

"(1) be known as the 'Director of Small and Disadvantaged Business Utilization' for such agency,

"(2) be appointed by the head of such agency,

"(3) be responsible only to, and report directly to, the head of such agency or to his deputy,

15 USC 637, 644.

"(4) be responsible for the implementation and execution of the functions and duties under sections 8 and 15 of this Act which relate to such agency,

"(5) have supervisory authority over personnel of such agency to the extent that the functions and duties of such personnel relate to functions and duties under sections 8 and 15 of this Act,

"(6) assign a small business technical adviser to each office to which the Administration has assigned a procurement center representative—

"(A) who shall be a full-time employee of the procuring activity and shall be well qualified, technically trained and familiar with the supplies or services purchased at the activity, and

"(B) whose principal duty shall be to assist the Administration procurement center representative in his duties and functions relating to sections 8 and 15 of this Act, and

"(7) cooperate, and consult on a regular basis, with the Administration with respect to carrying out the functions and duties described in paragraph (4) of this subsection.

"This subsection shall not apply to the Administration.".

Uniform Federal procurement regulations and procedures.
41 USC 405a.
41 USC 401 note.

SEC. 222. The Administrator of the Office of Federal Procurement Policy is authorized and directed, pursuant to the authority conferred by Public Law 93-400 and subject to the procedures set forth in such Public Law, to promulgate a single, simplified, uniform Federal procurement regulation and to establish procedures for insuring compliance with such provisions by all Federal agencies. In formulating such regulations and procedures the Administrator of the Office of Federal Procurement Policy shall, in consultation with the Small Business Administration, conduct analyses of the impact on small business concerns resulting from revised procurement regulations, and incorporate into revised procurement regulations simplified bidding, contract performance, and contract administration procedures for small business concerns.

Information availability.
15 USC 637b.

SEC. 223. (a) For any contract to be let by any Federal agency, such agency shall provide to any small business concern upon its request—

(1) a copy of bid sets and specifications with respect to such contract;

(2) the name and telephone number of an employee of such agency to answer questions with respect to such contract; and

(3) adequate citations to each major Federal law or agency rule with which such business concern must comply in performing such contract.

(b) Subsection (a) shall not apply to any contract or subcontract under such contract which—

(1) will be performed entirely outside any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico; or

(2) is for services which are personal in nature.

Definitions.
15 USC 637c.

SEC. 224. (a) For purposes of this Act—

(1) the term "Administrator" means the Administrator of the Small Business Administration;

(2) the term "Federal agency" has the meaning given the term "agency" by section 551(1) of title 5, United States Code, but does not include the United States Postal Service or the General Accounting Office; and

(3) the term "Government procurement contract" means any contract for the procurement of any goods or services by any Federal agency.

15 USC 632.

(b) Section 3 of the Small Business Act is amended by inserting "(a)" after "Sec. 3." and by adding at the end thereof the following new subsection:

"(b) For purposes of this Act, any reference to an agency or department of the United States, and the term 'Federal agency', shall have the meaning given the term 'agency' by section 551(1) of title 5, United States Code, but does not include the United States Postal Service or the General Accounting Office.".

CHAPTER 4

15 USC 636.

SEC. 231. Section 7(a) of the Small Business Act is amended by inserting after the phrase "The Administration is empowered to make loans to enable small-business concerns" the phrase ", or small-business concerns 100 percent owned and controlled by an Indian tribe as defined in section 4(a) of the Indian Self-Determination and Education Assistance Act,".

25 USC 450b.
15 USC 644.

SEC. 232. Section 15(f) of the Small Business Act is amended by striking out "September 30, 1979" and inserting in lieu thereof "September 30, 1980".

Report to congressional committees.

SEC. 233. Section 15 of the Small Business Act is amended by adding at the end thereof the following new subsection:

"(l) (1) The President shall, not later than October 1, 1979, transmit to the Select Committee on Small Business and the Committee on Armed Services of the Senate and to the Committee on Small Business and the Committee on Armed Services of the House of Representatives a report on the labor surplus area procurement program under this section and the manpower policy described in subparagraph (D).

Such report, together with recommendations, shall include, but not be limited to—

"(A) an analysis of the effectiveness of such labor surplus area procurement program, including its effectiveness in creating jobs in the areas of high unemployment and the method by which labor markets are classified and designated as labor surplus areas;

"(B) its potential benefits to Federal, State and local governments, including tax benefits, reductions in Federal payments to labor surplus areas, and reductions in State unemployment costs where such information is available;

"(C) its potential costs, including its impact on the efficient utilization of Federal resources, its effect on the local economy of non-labor surplus areas, its impact on small business concerns not in labor surplus areas to the extent such information is available, and its impact on contract costs to the Federal Government; and

"(D) with respect to the implementation by the Department of Defense of Defense Manpower Policy Number 4A (32A CFR Chapter 1) or any successor policy, in addition to the matters required by subparagraphs (A), (B), and (C), information concerning the impact on such matters of the expenditure of any funds which were available for procurement and which were not obligated for expenditure on September 30, 1977.

Approved October 24, 1978.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 95-949 (Comm. on Small Business) and No. 95-1714 (Comm. of Conference).

SENATE REPORTS: No. 95-1070 (Select Comm. on Small Business) and No. 95-1140 (Comm. on Governmental Affairs).

CONGRESSIONAL RECORD, Vol. 124 (1978):

Mar. 20, considered and passed House.
Sept. 15, considered and passed Senate, amended.
Oct. 6, House agreed to conference report.
Oct. 10, Senate agreed to conference report.

Appendix B.--Policy Letter 80--1

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT
POLICY

January 24, 1980

POLICY LETTER 80-1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: P.L. 95-507, Section 211, Subcontracting: Agency Coordination with the Small Business Administration Resident Procurement Center Representatives

Section 211 of P.L. 95-507 amends section 8(d)(10) of the Small Business Act, 15 USC 637, to authorize the Small Business Administration (SBA) to review any solicitation for any contract over the stated thresholds. The purpose of the review is to determine whether maximum practicable opportunity has been afforded small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate as subcontractors in such awards. Furthermore, SBA is responsible for evaluating compliance with agreed upon subcontracting plans.

In order to facilitate the implementation of these provisions by the Small Business Administration, departments and agencies shall observe the following policies regarding section 8(d)(10), and shall incorporate them in their procurement regulations:

1. The Small Business Administration's resident Procurement Center Representatives shall be provided an opportunity to review any solicitation that meets the threshold prior to release to the public. The Procurement Center Representative shall be provided a period reasonable under the circumstances to review the solicitation.

2. Prior to the execution of any negotiated contractual document requiring a subcontracting plan, the total procurement package including the proposed subcontracting plan shall be made available to the resident Procurement Center Representative, with a reasonable time for review. The Procurement Center Representative may submit recommendations, which shall be advisory in nature, to the contracting officer. The Procurement Center Representative shall also be provided a copy of the subcontracting plan finally negotiated by the contracting officer.

A copy of any subcontracting plan submitted pursuant to a formally advertised procurement also shall be provided the resident Procurement Center Representative upon execution of the contractual document.

3. The small and disadvantaged business specialist of the contracting activity shall notify the Small Business Administration of the award of contracts, amendments, or modifications that contain subcontracting plans. The notification shall contain the contractor's name and address, place of performance, dollar amount, performance period, description of contract item or items, and name and address of contracting officer. A copy of the award document (e.g., DD 350) is sufficient for these purposes. The notification shall be sent to the Assistant Regional Administrator for Regional Programs in the SBA region where contract performance is to take place.

The Director of the Office of Management and Budget concurs in the issuance of this policy directive to be effective February 25, 1980.

James D. Currie

James D. Currie
Acting Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT
POLICY

April 29, 1980

POLICY LETTER 80-2

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Regulatory Guidance on Section 211 of Public Law 95-507.

There is a need in Government for uniformity and consistency in the application of procurement policy. This directive provides the uniform policy applicable to Section 211 of Public Law 95-507. The clauses and regulatory coverage that follow articulate this uniform policy. The Defense Acquisition Regulations (DAR), the Federal Procurement Regulations (FPR), and the National Aeronautics and Space Administration Procurement Regulations (NASA PR) shall be amended to conform to this policy. This guidance supercedes in its entirety the guidance previously published in the Federal Register on April 20, 1979, (44 F.R. 23610).

A. UTILIZATION OF SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS (OVER $10,000)

The following clause shall be included in all contracts over $10,000 except (1) contracts for services which are personal in nature and (2) contracts which will be performed entirely (including all subcontracts) outside any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico:

UTILIZATION OF SMALL BUSINESS CONCERNS AND SMALL BUSINESS CONCERNS OWNED AND CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

(a) It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

(b) The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. The contractor further agrees to cooperate in any studies or surveys as may be conducted by the Small Business Administration or the contracting agency which may be necessary to determine the extent of the contractor's compliance with this clause.

(c) (1) As used in this contract, the term "small business concern" shall mean a small business as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

(2) The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern—

(i) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

(ii) whose management and daily business operations are controlled by one or more of such individuals.

The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, and other minorities, or any other individual found to be disadvantaged by the Small Business Administration pursuant to section 8(a) of the Small Business Act.

(d) Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

(End of Clause)

B. DEFINITIONS.

1. Business owners who certify that they are members of named groups (Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans) are to be considered socially and economically disadvantaged.

2. The phrase "Native Americans" means American Indians, Eskimos, Aleuts and native Hawaiians. The term "Asian-Pacific Americans" means U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia and Taiwan.

3. Other individuals may qualify as socially and economically disadvantaged under procedures which have been separately established by the Small Business Administration at 13 CFR 124.1-1(3)(iii).

4. The Office of Minority Small Business and Capital Ownership Development in the Small Business Administration has the final authority to determine the eligibility of a concern to be designated as a small disadvantaged business and shall answer inquiries from prime contractors and others regarding such eligibility.

5. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

C. SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING (NEGOTIATED).

All solicitations for negotiated contracts or negotiated amendments or modifications (including contracts, amendments, and modifications placed on a sole source basis), except those for procurements and set-asides pursuant to section 8(a) and section 15 of the Small Business Act as amended, which individually are expected to exceed $500,000, or in the case of contracts for the construction of any public facility, $1,000,000, and are required to include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, shall include a provision which requires the apparent successful offeror, provided the offeror is not a small business concern, to negotiate a detailed subcontracting plan. The provision is as follows:

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED)

1. This provision does not apply to small business concerns.

2. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

3. The offeror acknowledges that it is aware of the subcontracting plan requirements in this provision; and if it is the apparent successful offeror, and if the contract offers subcontracting possibilities, agrees to negotiate a plan which includes:

a. Percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; (For the purposes of the subcontracting plan, the contractor may include all purchases which contribute to the performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs.)

As part of its establishment of percentage goals the apparent successful offeror shall also include in its subcontracting plan:

(1) A statement of: (a) total dollars planned to be subcontracted; (b) total dollars planned to be subcontracted to small business; and (c) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

(3) A statement of the method used in developing proposed subcontracting goals for (i) small business, (ii) small disadvantaged business concerns (e.g., did the offeror use for subcontract solicitation purposes company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, the Office of Minority Business Data Center in the Department of Commerce, and the facilities of local small business and minority associations?).

(4) If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting

plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small disadvantaged business subcontractors shall be explained.

b. The name of an individual within the employ of the offeror who will administer the subcontracting program of the offeror and a description of the duties of such individual;

c. A description of the efforts the offeror will take to assure that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts;

d. Assurances that the offeror will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontracts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1,000,000, to adopt and comply with a plan similar to the plan agreed to by the offeror. Such assurances shall describe the offeror's procedures for the review, approval, and monitoring for compliance with such plans;

e. Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan; and

f. A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated):

(1) Small and disadvantaged business source lists, guides and other data indentifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

(3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (a) whether small business was solicited, and if not why not; (b) whether small disadvantaged business was solicited, and if not why not; and (c) reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.

(4) Records to support other outreach efforts:

o Contacts with minority and small business trade associations;

o Contacts with business development organizations;

o Attendance at small and minority business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers:

o Workshops, seminars, training programs, etc.

o Monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.

4. The offeror understands that:

a. No contract will be awarded unless and until an acceptable plan is negotiated with the contracting officer which plan will be incorporated into the contract, as a material part thereof.

b. An acceptable plan must, in the determination of the contracting officer, provide the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged persons to participate in the performance of the contract.

c. If a subcontracting plan acceptable to the contracting officer is not negotiated within the time limits prescribed by the contracting activity and such failure arises out of causes within the control and with the fault or negligence of the offeror, the offeror shall be ineligible for an award. The contracting officer shall notify the contractor in writing of his reasons for determining a subcontracting plan to be unacceptable. Such notice shall be given early enough in the negotiation process to allow the contractor to modify the plan within the time limits prescribed.

d. Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the offeror for award of the contract.

e. It is the offeror's responsibility to develop a satisfactory subcontracting plan with respect to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and that each such aspect of the offeror's plan will be judged independently of the other.

f. The offeror will submit, as required by the contracting officer, subcontracting reports in accordance with the instructions thereon, and as further directed by the contracting officer. Subcontractors will also submit these reports to the government's contracting officer or as otherwise directed, with a copy to the prime contractor's designated small and disadvantaged business liaison.

5. The failure of any contractor or subcontractor to comply in good faith with (a) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals or (b) an approved plan required by this Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) provision, will be a material breach of such contract or subcontract.

6. Commercial Products. If a commercial product (defined below) is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer. The approved plan will remain in effect for the company's entire fiscal year for all of the company's or division's commercial products.

The term "commercial products" means products in regular production sold in substantial quantities to the general public and/or industry at established market or catalog prices. A product which, in the opinion of the contracting officer, differs only insignificantly from the contractor's commercial product may be regarded for the purpose of this clause as a commercial product.

(End of Provision)

INSTRUCTIONS TO CONTRACTING OFFICERS

The following policy and procedural guidance is provided to contracting officers in making determinations as to the acceptability of a Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) submitted by an apparent successful offeror, in accordance with the requirements of Public Law 95-507, Amendments to the Small Business Act and the Small Business Investment Act of 1958. This guidance is not intended to be all inclusive. Other factors may warrant consideration dependent upon the particular circumstances of the proposed acquisition. Ultimately, there is no substitute for the reasoned and objective judgment of a contracting officer exercised on a case by case basis.

(a) Contracts with Options or Similar Provisions - In the case of contracts with options, or similar provisions, requiring a subcontracting plan, the contracting officer shall obtain a satisfactory plan prior to award covering the basic and the option items of the contract. The price of the option items shall be included in determining whether the contract meets the subcontracting threshold, and the plan shall take into account the procurement of the option items. In the event the option or similar provision is not exercised, the contractor should not be bound by that portion of the plan relating to the option items.

(b) Letter Contracts - In the case of letter-type contracts requiring a subcontracting plan, the contracting officer shall seek to obtain a satisfactory plan within 90 days after award or before definitization, whichever comes first.

(c) Acceptability of Proposed Plan - In making determinations concerning the acceptability of a proposed subcontracting plan, the contracting officer should take the following actions:

> (1) To the extent available, the contracting officer shall obtain the names and locations of principal proposed (i) small business, and (ii) small disadvantaged business subcontractors, including the type of product or service and the dollar value thereof to be awarded to each principal subcontractor. (This information will be used only to assist the contracting officer in making a determination as to the acceptability of the proposed percentage and dollar subcontract goals. The offeror will not be contractually bound to make subcontract awards to the designated subcontractors nor will the names of the subcontractors be included in any subsequent approved plan).
>
> (2) Obtain and review information from all appropriate sources, including the prospective contractor, contract administration activities, Small and Disadvantaged Business Utilization Specialist, and SBA representatives concerning the apparent successful offeror's historical performance and achievements in placing subcontracts for the same or similar products or services with (i) small business, and (ii) small disadvantaged business subcontractors -- if this information is not available for a specific product or service, the offeror's past performance and achievements in the placement of total subcontract awards to (i) small business, and (ii) small disadvantaged business subcontractors shall be examined.
>
> (3) Evaluate the anticipated potential for subcontracting to (i) small business, and (ii) small disadvantaged business considering the make-or-buy policies or programs of the apparent successful offeror, the nature of the products or services to be subcontracted, and the known availability of (i) small business, and (ii) small disadvantaged business concerns in the geographical area where the work will be performed.
>
> (4) Advise the apparent successful offeror of (i) the availability of the sources of information on potential small business and small disadvantaged business subcontractors and (ii) the names of any known potential small business and small disadvantaged business subcontract sources. If the proposed goals are questionable, the

contracting officer shall emphasize that one or more of the sources of information should be used and potential small business and small disadvantaged business subcontract sources be considered to ensure development of realistic and acceptable goals.

(5) Obtain advice and recommendations of the Small and Disadvantaged Business Utilization Specialist and the assigned Small Business Administration Procurement Center Representative (if available) concerning the acceptability of the proposed plans.

(6) Negotiate subcontracting goals at a level which represents a good faith, aggressive, and comprehensive effort of the apparent successful offeror to use to the maximum practicable extent small and small disadvantaged subcontractors after appropriate consideration of their price, technical capability, and other pertinent factors. No goals will be negotiated upwards if it is apparent that such higher goals must result in significant increased costs to the Government or will seriously impede acquisition objectives. However, incentive subcontracting clauses should be considered in those cases where it is believed that additional and unique prime contractor effort could significantly increase small business and small disadvantaged business subcontract awards.

(7) The contracting officer shall promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of subcontracting effort. If agreement cannot be reached, the matter will be resolved under the Disputes Clause of the contract.

(8) In reviewing and negotiating a contractor's proposed small and disadvantaged business subcontracting plan, the contracting officer shall give due consideration to the contractor's "make-or-buy" policy or program. This is necessary to ensure that the respective programs are not in conflict, and the best interests of the Government are obtained. Furthermore, where the contract work involves products or services which are not generally available in the commercial marketplace or are particularly specialized, and the contractor has current capacity to perform the work, the contracting officer may recognize the reduced likelihood of subcontracting opportunities.

(d) Forwarding to SBA of Plans Involving Commercial Products

Contracting officers receiving company-wide plans under paragraph 6 (commercial products) of both solicitation clauses -- SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED) and SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED) -- shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 "L" Street, N.W., Washington, D. C., Attention: AAPA.

(e) Failure to Comply in Good Faith with the Subcontracting Requirements

The failure of any contractor or subcontractor to comply in good faith with (1) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, or (2) an approved plan required by the Small Business and Small Disadvantaged Business Subcontracting Plan provision, will be a material breach of such contract or subcontract.

If such a breach has occurred in the prime contract, the contracting officer shall review the available facts to determine what remedy is in the best interests of the Government.

Such remedies may include Termination of the Contract pursuant to the Termination for Default Clause, negotiated reduction in contract price, negotiation of a revised subcontracting plan to correct deficiencies, or other negotiated measures the contracting officer may deem appropriate. In determining the proper remedy, the contracting officer shall consider as a minimum (1) the reasons attributed to the failure to comply in good faith, (2) the Government's need for the contract deliverables, and (3) the impact a proposed remedy may have on existing small and disadvantaged subcontractors.

If the failure to comply in good faith cannot be settled by agreement, a contracting officer decision pursuant to the contract disputes clause shall be issued.

D. INCENTIVE SUBCONTRACTING PROGRAM.

The following clause may be used in negotiated contracts for which a subcontracting plan is required.

INCENTIVE SUBCONTRACTING PROGRAM FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS (NEGOTIATED)

(1) The contractor has established, in its subcontracting plan, the following goals for awards to small business and small disadvantaged business concerns:

(i) __*__ percent of the total planned subcontract amount of $ * to small business concerns, and

(ii) __**__ percent of the total planned subcontract amount of $ ** to small business concerns owned and controlled by socially and economically disadvantaged individuals.

(2) To the extent that the contractor exceeds such subcontract goals in the performance of this contract, it will receive __***__ percent (not to exceed 10 percent) of the dollar amount of such excesses, unless the contracting offficer determines that such excess was not due to efforts by the contractor, i.e., subcontractor costs in excess of those contractually agreed upon or where the actual subcontract amount exceeds that estimated in the subcontract plan; or planned subcontracts which were not disclosed in the subcontract plan during contract negotiation.

(3) If the contract is a cost plus fixed fee type, the total of the fixed fee and the incentive payments made pursuant to this clause is subject to the limitations set forth in FPR 1-3.405-5(c)(2) and DAR 3-405.6(c)(2).

(End of Clause)

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*, ** Identified elsewhere in the contract.
*** Exact percentage to be inserted into the contract document.

E. SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING (ADVERTISED).

All solicitations for formally advertised contracts or amendments or modifications thereto which, except those for procurements and set-asides pursuant to section 8(a) and section 15 of the Small Business Act as amended, offer subcontracting opportunities and are expected to exceed $500,000, or in the case of contracts for the construction of any public facility, $1,000,000, and are required to include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, shall include a provision which requires the bidder selected to be awarded the contract, provided the bidder is not a small business concern, to submit a detailed subcontracting plan.

The contracting officer shall include the solicitation notice below in all solicitations meeting the monetary threshold unless the contracting officer determines in writing that the proposed contract, amendment or modification, offers no subcontracting possibilities. If the contracting officer is not sure of the presence of subcontracting possibilities, the notice must be included; but the requirement to furnish a plan may be omitted on a showing by the bidder selected for award that subcontracting possibilities do not exist.

The provision is as follows:

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED)

1. This provision does not apply to small business concerns.

2. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

3. The bidder acknowledges that it is aware of the subcontracting plan requirement in this provision; and if selected for award, will submit within the time specified by the contracting officer a subcontracting plan that will afford the maximum practicable opportunity to participate in the performance of the contract to small and small disadvantaged concerns, and will include:

a. Percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; (For the purposes of the subcontracting plan, the contractor may include all purchases which contribute to the performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs.)

As part of its establishment of percentage goals the apparent successful bidder shall also include in its subcontracting plan:

(1) A statement of: (a) total dollars planned to be subcontracted; (b) total dollars planned to be subcontracted to small business; and (c) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

b. The name of an individual within the employ of the bidder who will administer the bidder's subcontracting program and a description of the duties of such individual;

c. A description of the efforts the bidder will take to assure that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts;

d. Assurances that the bidder will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontracts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1,000,000, to adopt and comply with a plan similar to the plan agreed to by the bidder;

e. Assurances that the bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the bidder with the subcontracting plan; and

f. A recitation of the types of records the successful bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated):

(1) Small and disadvantaged business source lists, guides and other data indentifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

(3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (a) whether small business was solicited, and if not why not; (b) whether small disadvantaged business was solicited, and if not why not; and (c) reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.

(4) Records to support other outreach efforts:

o Contacts with minority and small business trade associations,

o Contacts with business development organizations,

o Attendance at small and minority business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers:

o Workshops, seminars, training programs,

o Monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.

4. The bidder understands that:

(a) It agrees to carry out the government's policy to provide the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of the contract, consistent with its efficient performance.

(b) If it does not submit a subcontracting plan within the time limits prescribed by the contracting agency, it will be ineligible to be awarded the contract.

(c) Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the offeror for award of the contract.

(d) It is the bidders responsibility to develop a subcontracting plan with respect to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and that each such aspect of the plan will be judged independently of the other.

5. The failure of any contractor or subcontractor to comply in good faith with (a) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals or (b) the terms of any subcontracting plan required by this Small Business and Small Disadvantaged Business Subcontracting Plan (Advertised) provision, will be a material breach of the contract or subcontract.

6. Commercial Products. If a commercial product (defined below) is offered the required subcontracting plan may relate to the company's

or division's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer. The approved plan will remain in effect for the company's entire fiscal year for all of the company's or division's commercial products.

The term "commercial products" means products in regular production sold in substantial quantities to the general public and/or industry at established market or catalog prices. A product which, in the opinion of the contracting officer, differs only insignificantly from the contractor's commercial product may be regarded for the purpose of this clause as a commercial product.

(End of Provision)

INSTRUCTIONS TO CONTRACTING OFFICERS

(a) Informational Goals. The contracting officer may, in a letter accompanying the solicitation or otherwise, inform the offeror of the goal the Government contemplates for subcontracting to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. Any such letter shall state that the goals are informational only and not legally binding.

(b) Notification of Unsatisfactory Plans. If the contracting officer believes that the subcontracting plan submitted pursuant to this section does not reflect the best effort by the bidder to award subcontracts to small and small disadvantaged firms to the fullest extent consistent with the efficient performance of the contract, he shall notify the agency's director of the Office of Small and Disadvantaged Business Utilization who shall in turn notify the Small Business Administration and request a review of the plan pursuant to Section 8(d)(10) and (11) of the Small Business Act. Such request for an SBA review shall not delay award of the contract. Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the bidder for award of the contract.

(c) Forwarding to SBA of Plans Involving Commercial Products. Contracting officers receiving company-wide plans under paragraph 6 (commercial products) of both solicitation clauses -- SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED) and SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED) -- shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 "L" Street, N.W., Washington, D. C., Attention: AAPA.

EFFECTIVE DATE: This Policy Letter is effective June 1, 1980.

CONCURRENCE: This Policy Letter has been concurred in by the Director of OMB.

Karen Hastie Williams

Karen H. Williams
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT
POLICY

May 29, 1981

Policy Letter 80-2, Supplement No. 1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Regulatory Guidance on Section 211 of Public Law 95-507

Government procurement policy should be uniform and consistent in application. The purpose of this supplementary Policy Letter is to provide a uniform resolution to certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980 (45 Federal Register 31028, May 9, 1980).

1. The question has been raised whether it is necessary to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. Policy Letter 80-2 indicates that subcontracting plans must be included, pursuant to Public Law 95-507, in contracts and contract modifications over the statutory thresholds. It also requires that the "contracting officer promptly negotiate appropriate revisions to "agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of contracting effort."

It is not necessary for the contracting officer to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. The modification may incorporate the existing plan by reference. However, the modification must either contain separate goals for the new effort or revise the original goals.

2. Another question has been raised as to whether the terms of an overall or "master" company subcontracting plan may be incorporated by reference into a specific plan submitted for a given contract over the statutory thresholds. This is acceptable provided: (1) the master plan contains all the elements required by the statute; (2) subcontract goals for small and small disadvantaged firms are specifically set forth in each contract or modification over the statutory thresholds; (3) any changes to the plan deemed necessary and required by the contracting officer in areas other than goals are specifically set forth in the contract or modification; (4) the contracting officer has copies of the entire plan; and (5) the resident Procurement Center Representative (PCR) of the Small Business Administration has had an opportunity to comment on the master plan.

3. A third question relates to the applicability of an approved commercial products plan beyond the fiscal year in which it is approved. Policy Letter 80-2 states that:

> "If a commercial product is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer."

The approved plan shall apply to all deliveries made under contracts entered into during the contractor's fiscal year, even though those deliveries are made in a succeeding fiscal year. The contractor shall submit a new plan to the first agency with which it enters into a contract (over the statutory threshold) during a succeeding fiscal year. The new plan shall apply to all deliveries made under contracts entered into during the succeeding fiscal year, no matter when those deliveries are made.

4. Also with respect to commercial products plans, there is a question whether the contractor is required to keep "contract-by-contract" records pursuant to paragraphs 3f(3) and (6) of the Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) and (Advertised) clauses. Such contract-by-contract records would be incompatible with the concept and purpose of an annual company-wide plan, and are not required.

Accordingly, OFPP Policy Letter 80-2 is amended by adding the following sentence at the end of paragraphs 3f(3) and 3(f)(6) of both the Negotiated and Advertised clauses: "This requirement does not apply to a plan submitted pursuant to par. 6, hereof."

5. Paragraph 3d of the clause entitled "Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated)", as set forth in Policy Letter 80-2, provides for flowdown of the subcontracting plan requirements to all non-small business subcontractors which receive subcontracts over the applicable thresholds. Further, the prime contractor is required to describe its "procedures for the review, approval, and monitoring for compliance with such plans."

This requirement has raised questions of what is meant by monitoring and whether, in some cases, the prime contractor should be relieved of this responsibility.

If interpreted literally to require each prime contractor to monitor its subcontractors' compliance, by plant visits and examinations of records, this could result in situations such as: (1) several contractors monitoring the same subcontractor, to review essentially the same information, which would at a minimum be disruptive and redundant; (2) the prime contractor being monitored by one or more of the subcontractors which it is monitoring, where the prime/sub relationships are reversed; and (3) problems concerning access to records, particularly when the prime contractor and the subcontractor are competitors. This disruption, duplication and additional unnecessary cost do not appear to be justified or necessary. In many instances, particularly where a subcontractor is also performing Government prime contracts, the Government already has a representative either on the scene or available who is monitoring the firm's performance as a prime contractor. The Government representative, in such cases, should be familiar with the firm's overall plan for subcontracting with small and small disadvantaged businesses, and therefore in the best position to determine whether the firm is meeting its goals either as a prime contractor or as a subcontractor. Accordingly, departments and agencies may, in their regulations, notwithstanding the last sentence of the aforesaid paragraph 3d, relieve the prime contractor from this obligation when they deem it appropriate. An agency's decision to relieve a contractor from its obligation to monitor for compliance should take into consideration an existing Government presence at the subcontractor's plant and whether the monitoring can be accomplished most economically and efficiently through Government or prime contractor activity.

Whether monitoring is done by the prime contractor or by the Government, the degree of monitoring will vary depending on the circumstances. Such factors as access to records, subcontract dollar amount, the subcontractor's past performance in meeting goals, and many others must be considered in reviewing the procedures for monitoring compliance.

While there is some flexibility, as indicated by the foregoing discussion, with respect to monitoring for compliance, prime contractors are not relieved of their obligation to review and approve their subcontractor's plans.

EFFECTIVE DATE: This supplementary Policy Letter is effective June 30, 1981.

CONCURRENCE: This supplementary Policy Letter has been concurred in by the Director of the Office of Management and Budget.

William E. Mathis

William E. Mathis
Acting Administrator

Appendix C.--Fact Sheet, the Subcontracting Program

BACKGROUND

Prior to 1978, section 8(d) of the Small Business Act merely encouraged large business concerns to utilize small business as subcontractors in the performance of federal contracts. Whereupon, legislative emphasis was on voluntary "best efforts" by large contractors to subcontract to small concerns. Despite the fact that the percentage of subcontracts awarded to small concerns increased over the years, these procurements remained small in both absolute dollar value and share of total awards.

Section 211 of Public Law 95-507 (1978), changed the emphasis from voluntary "best efforts" to mandatory efforts to insure that small and small disadvantaged concerns "have the maximum practicable opportunity to participate in the performance of contracts let by any federal agency." The act mandates that federal contracts over $10,000 shall contain a clause entitled, "Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals." For larger contracts over $500,000 ($1,000,000 for construction), the law also requires a subcontracting plan setting forth percentage goals for utilizing small business concerns, including separately identified goals for small disadvantaged concerns. Pursuant to section 211, large subcontractors that receive awards in excess of the dollar thresholds also are required to adopt a plan similar to that required from prime contractors.

Such a contract cannot be awarded unless a plan is accepted within the time frames established by the agency. Under the law, the plan must contain at least the following six elements:

-- Percentage goals for small and disadvantaged business subcontracting;

-- Name of the individual responsible for administering the subcontracting program and a description of the duties of such individual;

-- Description of the efforts to ensure that small and small disadvantaged businesses will have an equal opportunity to compete for subcontracts;

-- Assurances that the subcontracting clause be included in all subcontracts having further subcontracting opportunities and that all big business subcontractors having a subcontract in excess of $500,000 ($1 million for construction) that offers further subcontracting opportunities will adopt a subcontracting plan similar to the prime's;

-- Submission of periodic reports and cooperation in any studies or surveys required by the contracting agency or the Small Business Administration (SBA) in order to determine the extent of compliance with the subcontracting plan; and

-- Description of the type of records maintained to demonstrate compliance with requirements and goals in the subcontracting plan.

The requirement for subcontracting plans does not apply to small business prime contractors or subcontractors, prime contracts not offering subcontracting possibilities, contracts where the work is to be done totally outside of the U.S., its territories/possessions and for services which are personal in nature

Prior to award, it is the responsibility of the contracting officer to obtain and review plans for adequacy. After contract award, the contract administrator monitors compliance with the plan. The law states that failure of a contractor to comply in good faith with the plan is a material breach of the contract or subcontract.

Remedies for violation of a plan available under the statute and Office of Federal Procurement Policy Letter 80-2 include but are not limited to termination for default and a negotiated reduction in the contract price. Moreover, the General Accounting Office has ruled that contracts awarded without a subcontracting plan where it is required are "legally defective" thereby invoking similar remedies.

On December 10, 1982, a report of the House Committee on Small Business entitled "Minority Business Development Efforts of the Small Business Administration" (Report No. 97-956) concluded that the "subcontracting program has had limited success during its four years of implementation." Moreover, despite the availability of adequate remedial measures, federal buying activities have failed to utilize these remedies when substantive violations of subcontracting plans are discovered.

PROBLEM AREAS

Information contained in House Report No. 97-956 revealed the following major problems with the implementation of the subcontracting program:

Lack of Enforcement

There exists overwhelming evidence that despite ample enforcement provisions, prime contractors have violated their subcontracting plans with impunity and in some cases have been awarded contracts without plans. For example, during fiscal year 1981, Small Business Administration (SBA) field offices "reported 537 cases of 'interim non-compliance,' that is, violations which existed prior to contract completion and, therefore, susceptible to a 'remedy' curing the noted deficiency. However, there were determined to be 61 cases of 'final non-compliance,' or, in other words, violations that went totally uncorrected." In 1981, SBA field offices reported 13 cases where contracts were awarded without subcontracting plans. In 1982, 12 cases were reported while 15 cases of such awards were reported in 1983.

The Executive branch has shown no initiative to institute sanctions or remedies against large prime contrators who have violated the law. Moreover, federal procurement personnel have not been held accountable for their mismanagement.

The Small Business Administration has failed to devise a logical system for the identification of contracts to be reviewed or a reporting system "to capture statistics on those contracts which do not have plans but which, by law, must have plans."

Lack of SBA Administration

The Small Business Administration has failed to assign a sufficient number of personnel to administer the subcontracting program at the central office level.

Lack of Consistent Interpretation

There is a lack of consistent and uniform interpretation of both the statute and implementing regulations by various federal agencies. This problem is perpetuated due to the lack of a uniform checklist for all agencies to assess the acceptability of plans; the lack of uniform procedures applicable to the breach of a plan; the lack of consistency in reporting requirements; and the lack of consistent interpretation of "flowdown" requirements for lower-tiered subcontractors.

Lack of Outreach

There is virtually a total lack of initiative primarily on the part of SBA to engage in any substantive activities either to inform small business about potential subcontracting opportunities, or to "qualify" small concerns as potential subcontractors.

STATISTICAL INFORMATION - See Attached Appendix

SUBCONTRACTING PROGRAM
FY 1978 - 1983[1]

FY	Subcontract Dollars Reported	Dollars To Small Business	Percent To Small Business	Dollars To SDB	% Of SB	% Total Sub $
78	18,800.00	7,600.00	40.4	---	---	---
79	24,600.00	10,800.00	43.9	---	---	---
80	29,600.00	12,200.00	41.2	748.20	6.1	2.5
81	42,200.00	15,900.00	37.7	895.5	5.6	2.1
82	43,800.00	16,500.00	37.6	858.5	5.2	2.0
83	51,900.00	20,300.00	39.0	1,011.1	5.0	1.9

*Figures not availabe for these two years

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[1] Source: U.S. Small Business Administration